The Brunello Cucinelli Group S.p.A.

BRUNELLO CUCINELLI

Directors' Report
for the 2011 financial year

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A PHILOSOPHICAL, POLITICAL, HUMAN AND CIVIL REPORT
"THE GOLDEN AGE"

If like the Roman god Janus we look forward and back at the same time, we realise that the world is changing ever more quickly, even more than the extraordinary changes which occurred during the last century in the wake of the industrial and cultural revolutions.
Today's revolution is in IT, and is the main driver of ongoing social and economic change.
But we still accept the leading part played by natural forces is still wonderful, tragic and unpredictable, against which not even the most extraordinary discoveries of man can ever prevail.
And these same natural forces can teach us how to interpret the rapidly evolving symbols of today's world.
It is an undying world, an unending world, and as the great forests of the past disappeared to make way for new kinds of trees, so the old world will be revived in a way which cannot be fully anticipated.
The old world witnessed the revolution of Enlightenment, which emerged after a long and complicated period of religious and political turmoil and led to a new world of industrial, economic and social emancipation. The wealth of nations that this emancipation generated ultimately made every citizen of the Western world an individual both in social and intellectual terms free to live their life in harmony with others and with nature. There were hard times to be endured too, but we still tend to regard it as a golden age.
This great development was not just the result of economic mechanisms and mathematical models. If we look more closely we can see a deeper reason - Humanism.
Without the human values which came to be acknowledged for the first time in the Age of Enlightenment, traders and industrialists would not have succeeded in building the wealth of the Western world today. This was the period when they were finally granted human dignity by the upper classes of the aristocracy, the military and the church and could stop being ashamed of their wealth. There was no longer a distinction between the so-called 'Liberal Arts' and the 'Mechanical Arts' and this gave them the decisive edge. The Enlightenment raised merchants and industrialists to the dignity of free men, and it was this, even more than the new inventions and the emergent capitalist economy which gave them the tremendous inner strength that enabled them to build the new world.
Just a century before a merchant would have had to yield in every sense to a nobleman, as the Manzoni character Lodovico (later Father Cristofero) put it: “To the outside, lowly mechanic; or I'll teach you once how to deal with a gentleman'
Even today, just as in the 18th century, social and human issues are important; but who exactly are those who today would be considered as 'lowly' by the wealthy and who are knocking at the door of the future with ever greater insistence? Who are these constantly renewed legions that we continue to despise, to whom we deny that one instrument of strength which is human dignity? Who are these 'barbarians'

we are so afraid of but who are actually just like us, and indeed more than us are bearers of new humanist formats and ideas, and who have the strength and the ideas to bring about the new world?

They are the millions of citizens of other nations, in Africa and the Far East, who at the cost of much effort and suffering are our neighbours on a daily basis, before our eyes and we pretend not to see them. They are the casual workers, the researchers, students, our own children - the human capital facing a gloomy future with few prospects. But none of them will destroy our collective identity, because they already love our history and want to identify with it, and in time they will enrich it too.

The present time sees wealth shifting from the west to the east, but this should not frighten us: it is only one form of wealth which is migrating, but there are others - the wealth of ideas and new human strengths - concrete, creative and unpredictable. Just as the trees in a primordial forest die but the forest lives on with new trees, so we find ourselves as part of a historic cycle affecting the whole world powered by the force of the new and which can only develop fully when we acknowledge their legitimate human dignity. This is what Humanism is all about, and we might think of it as something new but which is actually the same human spirit which still today, even in a new form, remains fully centre stage and sole arbiter of the world's destinies.

Let us therefore grant dignity to our brothers and sisters of all peoples and classes to whom dignity is currently denied; they are our future, they are what we were, they will be the makers of the new world. They will be the only ones who really know what to do. We should not make out, as we have done with results which are inevitably partial and provisional, that we are still the ones who change the world; we claim to understand how things will be in the future, but this is no longer our role. Ours is something new and different but no less important: to enable the life blood of human nature to flow freely once more and not to try and stop it and not be afraid. We need do nothing other than allow the young trees to develop their new leaves, their flowers, their fruit, and so create a new forest from where sounds, fragrances, fresh colours, no less lush and exhilarating than in the past, will embellish the world afresh.

In this we will not be doing anything new or heroic: we have been custodians of a life that will witness new forms and custodians and in the words of the 18th century French moralist Nicholas Chamfort: 'Our victory will be in this: by abandoning the game we win it'.

So it will be an inner victory, when we finally grasp that the world we have to come to terms with is no longer the one we live in but one occupied by our children and the newly emergent peoples.

Let us escort the new life on its way. That's all we need do.

OUR COMPANY

If we were to take an instant snapshot of our company as it is today we would start by saying that we have created a strong brand identity. A lifestyle that tells of our Umbria and our Italy, that expresses the company philosophy with its centrality of the aesthetic ideal and whose products are characterised by quality and the highest level of craftsmanship in a context of renewal, research, creativity and contemporary appeal.
The company began in 1978 as a manufacturer of cashmere knitwear, and today our men's and women's collections are at the top end of the luxury market.
The company is constantly expanding and developing, but the philosophy and guiding principles stay the same: *innovation and research* are key concepts, with the aim always being the highest levels of quality and craftsmanship.
According to recent research, there are three segments of the luxury goods pyramid:
- the very top, i.e. the smallest segment but also the highest is that of *'absolute' luxury*.
- the middle part is that of *aspirational* luxury;
- the base (taking up the most space) is that of *accessible* luxury;
It is precisely in the small but prestigious segment of *absolute* luxury that Brunello Cucinelli has been positioned by fashion experts.
We are proud to belong to the highest level of the 'luxury pyramid' and we realise that being a company in the “absolute luxury” category cannot be a final aspiration but rather a starting point. The object is to apply tenacity and dedication on a daily basis to the consolidation of the balance between craftsmanship on the one hand and the ability to constantly renew ourselves, leaving nothing to chance.
Whereas fashion is seasonal and changes every year, the luxury market is independent of time and is based on a *solid tradition*. The process whereby a brand becomes an *authentic luxury* brand is a long one and takes decades of experience, history and tradition. Luxury is not a concept we would define as being either accessible or democratic.

The Product

Total *casual* luxury chic look - these are the terms used to describe the contemporary flavour of our collections. We are committed to constantly strive for a fresh and contemporary look but without ever losing our core ideals of good taste and style.
Our idea of luxury has its roots in simplicity. It brings with it the flavour of medieval settlements and artisan skills: a world of sober authenticity with contemporary relevance. Our products are all made in Italy, mainly in Umbria. A genuine 'made in Italy' relying on long-established production strategies rooted in the internalisation of intellectual and manual skills, the *know how* of small but qualified craft shops able to give 'flavour' to our ideas and to *create value*.

Raw materials

The starting point for every Brunello Cucinelli collection is a considerable amount of research and careful selection of raw materials of the highest quality: yarn, textiles and leather and of course cashmere.
Cashmere is an extremely rare and precious fibre which has been at the heart of our production for many years. In order to guarantee the highest quality standard, we have for many years worked with one of the most illustrious cashmere spinners in Italy - Lanificio Cariaggi with whom we have three-yearly contracts to supply us with the best yarn on the market.
Ours is a solid relationship built on trust and a supply strategy stretching over three years at a time, the aim being to ensure that our company always has yarns of the highest quality and softness.

The manufacturing process

The great skill and attention to detail necessary at every stage of the manufacturing process together with the demands of an alert and demanding clientele, have led the company to adopt a strategy of direct management of all stages from the raw materials to the finished product, all underscored by the fundamental of excellence.
We have chosen not to go for marketing but rather to endeavour to acquire direct and specific skills, not only in relation to cashmere knitwear production but also coats and jackets, skirts and trousers, shirts, T-shirts and leather garments, all with an eye to a total coordinated look
To this end we devote considerable resources to researching new prototypes with the aim of creating a product characterised by top craftsmanship and quality and also we hope creativity.

Distribution

We believe that an 'exclusive' product should not be too widely distributed, and so in order to keep the kudos of being a specially 'crafted' item we have gone for targeted distribution with sole suppliers for a given area. This is the crucial value of our 1000 multi-brand customers worldwide all positioned at the top end of the market.
They have a thorough knowledge of their local markets and are the true “champions” of the brand. Their shops and brand choices reinforces and renews our name.
In the multi-brand sales outlets and particularly in luxury department stores our products are often displayed in a dedicated section: 'soft-corner' (discreet) corner and shop within shop.

We have the strength of a well-established and loyal wholesale distribution network and have for some time focused on expanding our retailer base.

As of today there are 59 Brunello Cucinelli shops worldwide. A network of sales outlets in prestige locations serves to emphasise our image by bringing together the company's core concepts, guiding principles and philosophy.
The retail development plan envisages a gradual and sustainable growth and an even geographical spread in the context of the search for prestigious locations both through a more pervasive presence in Europe and our traditional markets and an ever greater penetration of new markets.
In support of the retail development we have set up a dedicated marketing structure incorporating buying, training for the sales force, plus an effective team dedicated to visual merchandising (for us the visual is hugely important).

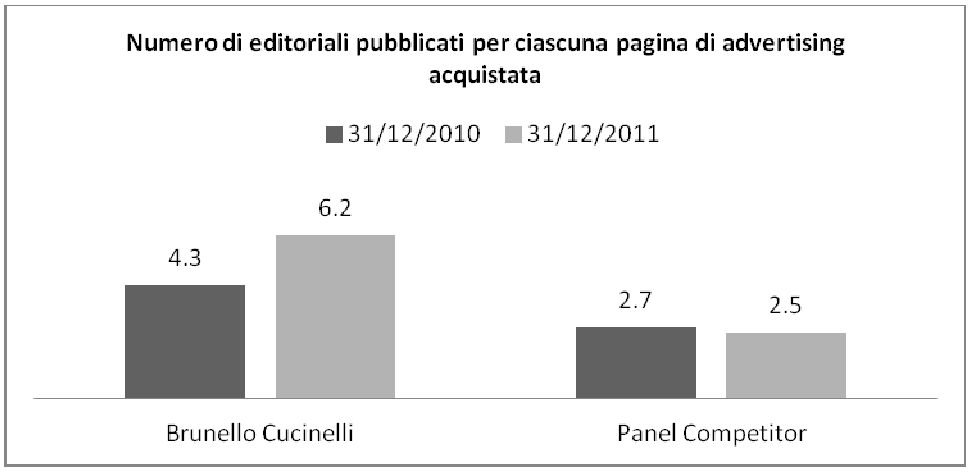
We endeavour to transfer and transmit our identity through the stores, going beyond the point of sale and aiming to highlight broader ideas of culture, experience and lifestyle.

Visual Merchandising

This is a very clear and straightforward concept deriving from the company philosophy and which is like a frame for the presentation of the Men's/Women's Collections through personal and ever more sharply defined visual merchandising criteria, making use of natural materials to highlight and underline a simple but current display concept which has become increasingly precise in recent years. We have tried to identify criteria for a merchandising method which is 'ours' and recognisable as such, which suggests Brunello Cucinelli's niche markets but at the same time is able to adapt to local circumstances and capture the special character of every city it finds itself in. The team is expanding all the time, setting out from Solomeo in all directions worldwide.

Communication

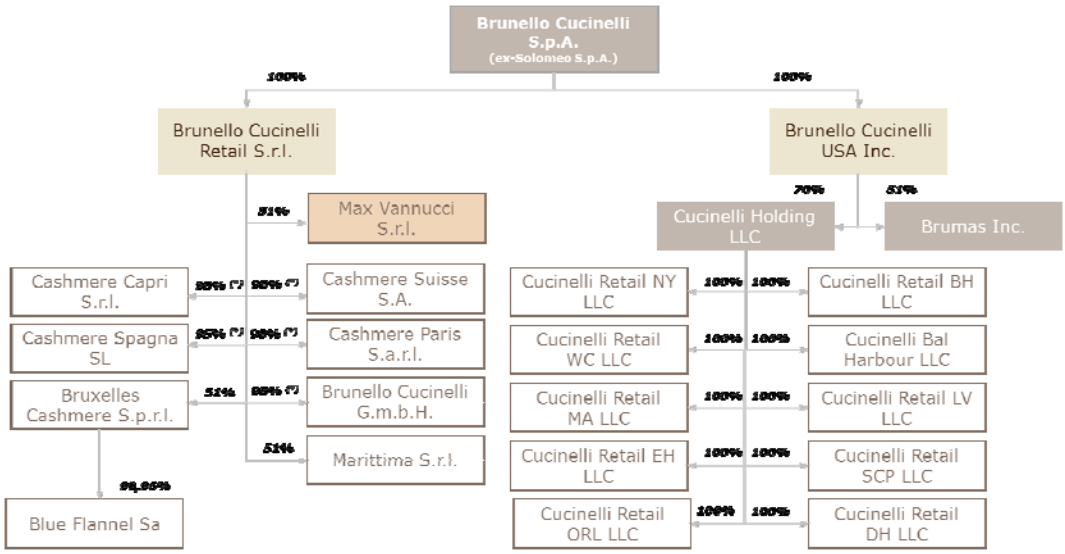
Every year we invest a significant amount into communication both in Italy and other countries.
Our idea of communication is something deliberately low-key and never over the top, or so we believe, and we try to highlight not just the quality and craftsmanship of the product but also the whole art of living, the symbolic vision and key universal values.
We are fortunate to live and work in one of the most beautiful parts of Italy, where the natural beauty of the Umbrian landscape fuses with art, culture and spirituality. The company occupies ancient rooms in a medieval castle which we have restored after many years of passionate commitment. It's a place where the *past* becomes the *heritage foundation* for the *present*.
Our advertising campaigns, evocative rather than purely commercial, not only show off our collections but are also an expression of our country's art and culture thereby giving the brand a special allure and which becomes synonymous with the whole idea of creativity, craftsmanship, lifestyle and quality of life in general.
This all serves to generate a special spontaneous interest from the national and international press as is evident form the highly positive feedback via editorials and positive remarks way beyond the average for this particular market.



Number of editorials published for each page of advertising

The company realises the decisive role of the web in spreading information and in communication and has set up an on-line sales sector, invested in creating a new internet site and looks forward to developing significant initiatives through the web. To this end we have enlisted the collaboration of top professionals in the field who are well able to evaluate the opportunities available through the media of web publishing

STRUCTURE OF THE BRUNELLO CUCINELLI GROUP AS OF 31 DECEMBER 2011



INTRODUCTION

Publication of the consolidated financial statements of the Brunello Cucinelli Group for the year ended 31 December 2011 was approved by the Board of Directors on 27 January 2012.

With reference to the year ended 31 December 2011, the figures given in this Report together with the associated remarks are meant to give an overview of Group's equity and financial and situation, the changes that occurred during the period in question, as well as any significant events that affected the results.

OPERATING CONDITIONS AND BUSINESS DEVELOPMENT

The Brunello Cucinelli Group designs, manufactures and sells luxury clothing and accessories, and is positioned in the *absolute* luxury segment of the market. The Brunello Cucinelli Group began by producing cashmere knitwear and now offers a line of *total-look* and *casual-chic* luxury items. Up to the spring/summer 2011 collection going on sale and which continued basically till the first quarter of 2011, the Brunello Cucinelli Group supplied its own range with the Brunello Cucinelli brand, Gunex for skirts and trousers, plus a line of private labels. Subsequently the

Group began to offer its complete range of items with the single brand name of Brunello Cucinelli.

The Brunello Cucinelli Group markets its products through directly managed single brand stores (DOS - directly operated stores), outlets and the on-line boutique (retail distribution channel) or through franchising (wholesale single brand distribution channel) sited in prestigious locations, as well as through a presence in multi-brand stores which are independent of the Group and dedicated areas within department stores (wholesale multi-brand distribution channel). As of 31 December 2011 the Group is present in 53 countries, with a network of 20 DOS, 39 single brand franchise stores, an on-line boutique plus a network of some 1000 multi-brand stores which include over 300 dedicated corners.

The product range

The range of *total-look* items in the men's and women's collections which lend themselves to a variety of situations from the casual to free time and formal includes: knitwear, coats and jackets, leather clothing items, suits and dresses, shirts and blouses, trousers, skirts, accessories, footwear, handbags and other leather goods.

The percentage of net revenues deriving from the sale of women's clothing and accessories in 2011 and 2010 was 69% and 70%, respectively.

The range also includes accessory items such as handbags, shoes, belts, hats, jewellery, scarves and wallets. There was a percentage increase of roughly 12% in the Group's net revenues in 2011, thanks to sales of accessories, which is line with the development strategy of the accessory range.

The seasonal nature of sales

The luxury market in which the Group operates is characterised by seasonal change in its sales channels, which impact on the Group's financial results.

The seasonal nature manifests itself typically in the sales methods of the wholesale single brand distribution sectors and the multi-brand wholesalers, who experience a concentration of revenue in the first and third quarters of each year; sales invoices are indeed concentrated in the months from January to March for spring/summer collections and the period from July to September as regards the autumn/winter collections.

With regards to the retail sector, Group sales revenues are mainly concentrated in the last quarter of the year, a period characterised by the sale of products with a higher unit value.

It follows from this that the Group's year-on-year results might not be fully in line with the financial results for each year.

In relation to these trends, it should be further pointed out that the inventory value is higher in June and December each year, on account of the manufacturing cycles of the autumn/winter and spring/summer collections, respectively.

Exchange rate differences

Although the Brunello Cucinelli Group has a significant international presence, including through companies in countries which use currencies other than the Euro, nonetheless the Group's income is mainly in Euros. Sales in other currencies are mainly in the US and are denominated in US dollars; thus the Group is exposed to the risk of fluctuations in the exchange rate on these revenues.

Below is the breakdown of net revenue by originating currency for the 2011 financial year compared to 2010:

(in thousands of Euros)	**Year ended 31 December**				**Change for the period**	
	2011	**%**	**2010**	**%**	**2011 vs 2010**	**2011 vs 2010 %**
Euro	178,645	73.6%	155,062	76.2%	23,583	15.2%
US dollar	63,543	26.2%	48,537	23.8%	15,006	30.9%
Swiss franc	447	0.2%	-	-	447	-
Total net revenues	**242,635**	**100.0%**	**203,599**	**100.0%**	**39,036**	**19.2%**

Below is the change in net revenues originating in US dollars for the year ended 31 December 2011 at current and fixed exchange rates

	2011 vs. 2010 %
Change in net revenues based on current exchange rates	+30.9%
Change in net revenues based on fixed rates	+37.5%

In order to minimise exposure to the exchange rate risk deriving from its commercial activities, the Brunello Cucinelli Group stipulates derivative contracts (forward foreign currency sales contracts) aimed at defining beforehand the conversion rates, or a predefined range of such rates, at a future date.

The forward hedges are signed when the currency exchange rates in the period when the foreign currency price lists for a season are defined, on the basis of the estimated revenues and taking as the closing date of the hedge the collection date of the relevant sales invoices. Specifically the Group specifies sale prices in Euros and works out the equivalent US dollar price by applying the rate applicable in the forward contract.

Starting from the financial year 2010, the Company has adopted Cash Flow Hedge Accounting for the derivative contracts covering the risk of currency fluctuations tied to likely commercial transactions in foreign currencies. As a consequence the effective element of the change in fair value of the derivatives negotiated to hedge highly likely transactions in foreign currencies is set aside in a special reserve of the Shareholder's equity. When transactions covered by the hedge contract are booked, the sums set aside in reserve are attributed to the operating elements of the Income Statement. The non-effective element of the fair value change as well as the fair value changes subsequent to the entry of the hedge transactions are instead entered under the financial items in the Income Statement.

This Company's financial policy is designed to ensure that the management results are not affected by exchange rate fluctuations in the period between the date of the forward contracts and the date of first invoicing and subsequent payment.

Regarding the costs structure it is noted that the Brunello Cucinelli Group incurs most of its costs in Euros, principally relating to manufacture and central management. Cost incurred in US dollars are sustained directly by the structures operating in the American market, and are accordingly not a problem in terms of currency risk.

The risk deriving from exposure to changes in exchange rates does affect the difference between revenues from transactions in foreign currencies and the operating costs of the stores working in the same currency.

As the Group prepares its consolidated financial statements in Euros, fluctuations in the exchange rate used to convert the figures contained in the financial statements of the controlled companies originally expressed in foreign currencies could affect the results, net debt and shareholder's equity as expressed in Euros in the Group financial statements.

Revenue trends for the year 2011

The Brunello Cucinelli Group's net revenues for the 2011 financial year were €242,635 thousand, showing an increase of €39,036 thousand (+19.2%) compared to 2010 net revenues of €203,599 thousand. EBITDA went from €23,967 thousand for 2010, equating to 11.7% of sales and services revenues, to €40,160 in 2011, i.e. 16.5% of sales and services revenues. Net profit was up from €11,436 thousand in

2010, equivalent to 5.6% of sales and services revenues to €21,025 thousand in 2011, equal to 8.7% of sales and services revenues.

The retail channel contributed €53,861 thousand to the Group's net revenues, up 59.7% on 2010 (when net retail revenues were €33,721 thousand), thanks to the combined effect of consolidation of existing stores, the 7 new stores opened over the same period (South Coast Plaza, Capri, Paris Faubourg Saint Honoré, Palma de Mallorca, Ibiza, Geneva and St. Moritz), the opening the Desert Hills factory outlet and the on-line boutique.

Net revenues from the single brand wholesale channel were up 36.5% from €19,899 thousand in 2010 to €27,156 thousand in 2011. The increase in net revenues in this channel was partly due to the 9 new stores opening in this period, 4 of which in the geographical area of Greater China.

The multi-brand wholesale channel achieved net revenues in 2011 of €161,618 thousand compared to €149,979 thousand in 2010, an increase of 7.8%. Growth has been particularly strong in the geographical area of North America, where department stores and specialty stores increased their investments in the Brunello Cucinelli brand, thanks to its constant consolidation and the positive response from the end customers.

The key factors enabling improved net revenues and EBITDA (both in terms of absolute value and the percentage incidence of sales and services revenues) compared to the previous year were: (i) the increased percentage incidence of retail sales in the net revenues total (22.2% in 2011 as against 16.6% in 2010); (ii) the significant total assimilation of the private label line, typified by lower margins compared to the current sole brand, Brunello Cucinelli, now adopted by the Group; (iii) economies of scale deriving from concentration of the entire Group production under the Brunello Cucinelli brand (and therefore the production of just the one collection).

ANALYSIS OF OPERATIONAL PERFORMANCE

Given below is a comparative analysis of the figures for the financial years ended 31st December 2010 and 2011. The main profitability figures are given in the following table:

(In thousands of Euros)	**Financial year ended 31 December**				**Period change**	
	2011	**% on revenues**	**2010**	**% on revenues**	**2011 vs. 2010**	**2011 vs. 2010**
Net revenues	242,635	99.7%	20,599	99.6%	39,036	19.2%
Other operating income	813	0.3%	819	0.4%	(6)	-0.8%
Revenues from sales and services	**243,448**	**100.0%**	**204,418**	**100.0%**	**39,030**	**19.1%**

Cost of raw materials, ancillaries and consumables	(47,061)	-19.3%	(49,277)	-24.1%	2,216	-4.5%
Costs for services	(116,034)	-47.7%	(103,349)	-50.6%	(12,685)	12.3%
Payroll costs	(37,710)	-15.5%	(25,590)	-12.5%	(12,120)	47.4%
Other net operating costs	(1,374)	-0.6%	(1,809)	-0.9%	435	-24.0%
Increase in non-current assets through internal production	229	0.1%	191	0.1%	38	19.9%
Amortisation and depreciation	(5,253)	-2.2%	(3,840)	-1.9%	(1,413)	36.8%
Adjustments to asset values and other allocations	(1,338)	-0.5%	(617)	-0.3%	(721)	>100%
Total operating costs	**(208,541)**	**-85.7%**	**(184,291)**	**-90.2%**	**(24,250)**	**13.2%**
Operating profit	**34,907**	**14.3%**	**20,127**	**9.8%**	**14,780**	**73.4%**
Financial charges	(3,985)	-1.6%	(4,004)	-2.0%	19	-0.5%
Financial income	1,428	0.6%	1,746	0.9%	(318)	-18.2%
Pre-tax profit	**32,350**	**13.3%**	**17,869**	**8.7%**	**14,481**	**81.0%**
Income tax	(11,325)	-4.7%	(6,433)	-3.1%	(4,892)	76.0%
Net profit for the year	**21,025**	**8.6%**	**11,436**	**5.6%**	**9,589**	**83.9%**
Minority profits	757	0.3%	1,860	0.9%	(1,103)	-59.3%
Group profits	**20,268**	**8.3%**	**9,576**	**4.7%**	**10,692**	**>100%**

Given below is a summary of the financial figures showing the pattern of the EBITDA operating profitability indicator

	Year ended 31 December				**Period change**	
(In thousands of Euros)	**2011**	**% of revenues**	**2010**	**% of revenues**	**2011vs 2010**	**2011 vs. 2010%**
Gross operating profit	34,907	14.3%	20,127	9.8%	14,780	73.4%
+ depreciation	5,253	2.2%	3,840	1.9%	1,413	36.8%
EBITDA (*)	**40,160**	**16.5%**	**23,967**	**11.7%**	**16,193**	**67.6%**

EBITDA is the gross operating profit without taking into account amortization and depreciation. Using this definition EBITDA represents a management measuring tool for the Company to monitor and evaluate the operational performance. EBITDA is not considered an accountancy measure within the IFRS and as such is not to be considered an alternative measure for evaluating the Group's operating profit. As the elements of EBITDA are not covered by the reference accountancy standards, the Group's applicability criterion might not correspond to those adopted by others and as such not comparable.
The Brunello Cucinelli Group calculates the percentage incidence of EBITDA on revenues as the ratio between EBITDA and revenues from sales and services.

The tables given above indicate an increase in 2011 of revenues from sales services and intermediate margins of the income statement both in absolute terms and as a percentage.

A breakdown of the financial figures of the different financial periods under consideration is provided below, followed by a detailed breakdown of the individual items in the income statements.

Analysis of the Group's revenues, operating costs and gross operating profit for the year ended 31 December 2011.

Given below is a summary of the financial figures for the year ended 31 December 2011 compared with the previous year.

Revenues from sales and services rose from €204,418 thousand in 2010 to €243,448 thousand in 2011, up €39,030 thousand, equal to 19.1%. This increase was led by net revenues, i.e. revenues from the sales of clothing and accessories, which rose from €203,599 thousand in 2010 to €242,635 thousand in 2011, an increase of €39,036 thousand, equivalent to 19.2%.

The determinant factors in this net revenues increase compared to the previous year are as follows:

- Retail channel increase of €20,140 thousand (up €53,861 thousand in 2011 from €33,721 thousand of the previous year, a rise of 59.7%), accounted for to the tune of €9,340 by the consolidation of existing stores at the start of the period, new store openings (DOS stores, a factory outlet and an on-line boutique), the remaining €1,398 thousand being attributable to VIP sales and sales to staff, not included in previous years;

- single brand wholesale channel up 36.5% on the previous year to the tune of €7,257 thousand, the combined effect of an improved performance by exiting shops and the 9 new stores opened in the period;

- multi-brand wholesale channel up 7.8% on 2010 (an increase of €11,639 thousand), thanks to: (i) expansion of the Brunello Cucinelli Group presence in new locations, particularly in the geographical area 'rest of the world' (first and foremost Japan and Korea); (ii) growth from department stores and specialty stores in North America, thanks to ongoing consolidation of the Brunello Cucinelli brand with the customer base.

The percentage of net revenues achieved by the Brunello Cucinelli Group in 2011 from retail sales was up 5.6 percentage points from 16.6% in 2010 to 22.2% in 2011. The percentage of net revenues deriving from the retail channel has a higher marginality compared to the single brand and multi-brand wholesale channel and has contributed to an improved EBITDA and gross operating profit (16.5% and 14.3% of revenues from sales and services in 2011, as opposed to 11.7% and 9.8% in the previous year).

The percentage of net revenues for the Brunello Cucinelli Group in North America, originally expressed in US$, was 26.2% (as against 23.8% in 2010). In 2011 the US dollar fell against the Euro compared to the previous year by 5.0%, which meant a reduced growth in net revenues in terms of Euros, as highlighted above in the paragraph on differences in the exchange rates.

Operating costs for 2011 came to €208,541 thousand, equivalent to 85.7% of revenues from sales and services (as opposed to €184,291 thousand in 2010, equivalent to 90.2% of revenues from sales and services.

For a clearer understanding of the figures relating to operating costs, the percentage due to costs for raw materials, ancillaries and consumables and outsourcing costs have to be considered compared to the revenues from sales and services. This allows a better understanding of the dynamics behind cost patterns and their effect. The influence of fashion trends and the Group's creative choices means that over the years and/or seasons the percentage element impact of these two items on total operating costs may alter and in some cases compensate one another. The creation of the items in the collection is characterised by a greater use of raw material or numbers of workers, for example processing thinner fibres.

	Year ended 31 December				**Period change**	
(In thousands of Euros)	**2011**	**% of revenues**	**2010**	**% of revenues**	**2011 vs. 2008**	**2011 vs. 2008**
Costs of raw materials, ancillaries and consumables	47,061	19.3%	49,277	24.1%	(2,216)	-4.5%
Out-sourcing	62,584	25.7%	59,219	29.0%	3,365	5.7%
Total	**109,645**	**45.0%**	**108,496**	**53.1%**	**1,149**	**1.1%**

Taking these two cost items together, their impact on revenues from sales and services is lower than the previous year (45.0% in 2011 as against 53.1% in 2010). This decline in percentage is due to the following factors: (i) the increased share of net revenues deriving from the retail distribution channel within the total net revenues for the year (22.0% in 2011 as against 16.6% in 2010); (ii) the significant total assimilation of the private label line, characterised by lower margins compared to what is currently the Group's sole brand - Brunello Cucinelli; (iii) economies of scale, achieved by concentration of the entire Group production under the Brunello Cucinelli brand (and so producing just the one collection); (iv) change in the scope of consolidation with acquisition of the majority shares in the Max Vannucci S.r.l. fashion house, to whom the Brunello Cucinelli Group had paid some €1,800 thousand for out-sourcing in 2010.

The item amortisation and depreciation is up €1,413 thousand (+37.8%) on 2010, an increase from €3,840 thousand to €5,253 thousand in 2011. The increase is mainly due to new key money allocated in contractual positions for new single brand retail stores which opened during the year and for investment in opening new stores (the Group achieved in 2011 for the retail and wholesale single brand channels a total of 18 new stores, including one factory outlet and the online boutique). The percentage of amortisation and depreciation costs on the total revenues from sales and services is 2.2% (as against 1.9% the previous year).

As a result of these changes the gross operating profit for the year was up from €20,127 thousand in 2010 to €34,907 thousand in 2011, representing an increase of €14,780 thousand, equal to 73.4%; as a percentage of revenues from sales and

services, the gross operating profit showed an improvement, up from 9.8% in 2010 to 14.3% in 2011.

EBITDA was up from €23,967 thousand in 2010 to €40,160 thousand in 2011, an increase of €16,193 thousand equivalent to 67.6%; as a percentage of revenues from sales and services, EBITDA was up from 11.7% in 2010 to 16.5% in 2011.

Analysis of the revenues from sales and services

Given below is the breakdown of the revenues from sales and services for the year ended 31 December 2011 compared to the previous year:

	31 December		Period change	
(In thousands of Euros)	**2011**	**2010**	**2011 vs 2010**	**2011 vs 2010 %**
Net revenues	242,635	203,599	39,036	19.2%
Other operating income	813	819	(6)	-0.8%
Total revenues from sales and services	**243,448**	**204,418**	**39,030**	**19.1%**

Revenues from sales and services for the years ended 31 December 2010 and 2011 came to €243,448 thousand and €204,418 thousand, respectively.

Analysis of sales by channel and geographical area

Given below is the detail of the item Net revenues for the year ended 31 December 2011, sub-divided by sales channel and geographical area and compared with the year ended 31 December 2010:

Retail *(In thousands of Euros)*	Year ended 31 December				Period change	
	2011	**%(4)**	**2010**	**%(4)**	**2011 vs 2010**	**2011 vs 2010 %**
Italy	17,293	32.1%	13,041	38.7%	4,252	32.6%
Europe	10,718	19.9%	3,151	9.3%	7,567	>100%
North America (1)	25,850	48.0%	17,529	52.0%	8,321	47.5%
Greater China (2)	-	-	-	-	-	-
Rest of the world (3)	-	-	-	-	-	-
Total	**53,861**	**100%**	**33,721**	**100%**	**20,140**	**59.7%**
Consolidated total net revenues	**242,635**		**203,599**		**39,036**	
Net revenues percentage incidence	***22.2%***		***16.6%***			
Percentage incidence on net revenues change over the period					***51.6%***	

Single brand wholesale *(In thousands of Euros)*	Year ended 31 December				Period change	
	2011	**%(4)**	**2010**	**%(4)**	**2011 vs 2010**	**2011vs 2010 %**
Italy	5,499	20.2%	5,277	26.5%	222	4.2%
Europe	14,358	52.9%	11,963	60.1%	2,395	20.0%
North America (1)	-	-	-	-	-	-
Greater China (2)	4,730	17.4%	950	4.8%	3,780	>100%
Rest of the world (3)	2,569	9.5%	1,709	8.6%	860	50.3%
Total	**27,156**	**100%**	**19,899**	**100%**	**7,257**	**36.5%**
Total consolidated net revenues	**242,635**		**203,599**		**39,036**	
Percentage incidence of net revenues	***11.2%***		***9.8%***			
Percentage incidence on change					***18.6%***	

Multi-brand wholesale *(In thousands of Euros)*	Year ended 31 December				Period change	
	2011	**%(4)**	**2010**	**%(4)**	**2011 vs 2010**	**2011vs 2010 %**
Italy	52,012	32.2%	52,065	34.7%	(53)	-0.1%
Europe	49,640	30.7%	50,779	33.9%	(1,139)	-2.2%
North America (1)	43,111	26.7%	34,387	22.9%	8,724	25.4%
Greater China (2)	3,799	2.4%	3,642	2.4%	157	4.3%
Rest of the world (3)	13,056	8.1%	9,106	6.1%	3,950	43.4%
Total	**161,618**	**100%**	**149,979**	**100%**	**11,639**	**7.8%**
Total consolidated net revenues	**242,635**		**203,599**		**39,036**	
Percentage incidence of net revenues	***66.6%***		***73.7%***			
Percentage incidence on net revenues change over the period					***29.8%***	

(1) Note that the Brunello Cucinelli Group in this area does not operate through franchise stores (single brand wholesale)

(2) Note that the Brunello Cucinelli Group in this area does not operate directly managed stores

(3) By 'rest of the world' means all countries apart from Italy, Europe, Greater China and North America. Note that in this area the Brunello Cucinelli Group does not operate directly managed stores.

(4) The percentage incidence shown in the table refers to the ratio between the revenues for the individual distribution channel for each geographical area and the total revenues for each channel

Given below is a summary of the factors behind the dynamic of the revenues for each geographical area and channel for the year 2011 compared with 2010.

Net revenues for the year ended 31 December 2011 were €242,635 thousand, representing a rise in all the distribution channels of €39,036 thousand compared to

2010 (+19.2%). To be precise, the increased growth in relative terms was in the retail channel, where the net revenues were up 59.7% on the previous year at 53,861 thousand Euros (as opposed to 33,721 thousand in 2010). The single brand wholesale channel was up 36.5% with net revenues at €27,156 thousand, compared to €19,899 thousand in 2010. Lastly the multi-brand wholesale channel showed an increase of €11,639 thousand, up 7.8%, giving total net revenues for 2011 of €161,618 thousand compared to €149,979 thousand in the previous year.

Given below is the analysis of the increase in net revenues by distribution channel and geographical area:

Retail channel

- Italy: net revenues rose from €13,041 thousand in 2010 to €17,293 thousand in 2011, an increase of €4,252 thousand, equivalent to 32.6%, mainly deriving from the consolidation of existing stores as of 31 December 2010.

- Europe: net revenues rose from €3,151 thousand in 2010 to €10,718 thousand in 2011, an increase of €7,657 thousand, mainly attributable to: (i) 5 new store openings in the period (Paris Faubourg Saint Honoré, Palma de Mallorca and Ibiza in Spain, Geneva and St Moritz in Switzerland and consolidation of the store in Paris St. Germain, in its first year of full operation (opened September 2010).

- North America: net revenues rose from €17,529 thousand in 2010 to €25,850 thousand in 2011, an increase of €8,321 thousand (+47.5% on the previous year), of which €5,600 thousand appropriately was down to higher sales in stores existing at 31 December 2010 (€3,200 of which attributable to the DOS in Bal Harbour, Miami, and Las Vegas which, in 2010 contributed for only half the year as they both opened in June), and the remainder - approximately €2,700 thousand, - from the new openings in the period, South Coast Plaza and the Desert Hills outlet.

  The growth of the North Americans market was to some extent mitigated by the 5.0% fall in the dollar/Euro exchange rate (average for 2011 was 1.3920 as against 1.3257 in 2010).

Single brand wholesale

- Italy: net income was up from €5,277 thousand in 2010 to €5,499 thousand in 2011, an increase of €222 thousand, equal to 4.2%. During the period in question the store in Forte dei Marmi opened, while the store in Capri, previously a third party franchise, came under the Brunello Cucinelli Group's direct management as a DOS.

- Europe: net income rose from €11,963 thousand in 2010 to €14,358 thousand in 2011, up by €2,395 thousand, equivalent to 20%, mainly due to: (i) growing appreciation of the Brunello Cucinelli brand in Eastern Europe and especially Russia (in August a fourth store in Moscow opened) and Ukraine (in May a second store opened in Kiev); (ii) growth of the existing shops at 31 December 2010, specifically Crans Montana and Sloane Street London, both opening in the last quarter of the previous year.

- Greater China: net revenues rose from €950 thousand in 2010 to €4,730 thousand in 2011, an increase of €3,780 thousand. Specifically, in 2011 the Brunello Cucinelli Group consolidated its shops in Dalian and Chengdu (both in China) which opened in December 2010, and opened a further 4 shops between April and December in Taipei, Macao and two in Shenyang.

- Rest of the world: net revenues rose from €1,709 thousand to €2,569 thousand, an increase of €860 thousand, equal to 50.3%. The opening of a second store in Japan in Kobe and the first in Mexico (Mexico City) contributed significantly to this growth.

Multi-brand wholesale channel

- Italy: net revenues remained substantially the same compared to the previous year (€52,012 thousand in 2011 as against €52,065 thousand in 2010).

- Europe: net revenues were slightly down (-2.2%), falling from €50,779 thousand to €49,640 thousand.

  Both in Italy and Europe, the increase in turnover of Brunello Cucinelli brand items almost entirely compensated the significant total assimilation of the Group's private label line. With reference to Europe, particularly noteworthy is the Group's strong performance in Eastern Europe (and especially in the countries of the ex-Soviet Union).

- North America: net revenues rose from €34,387 thousand to €43,111 thousand, an increase of €8,724 thousand, equal to 25.4%. This increase was achieved through the use of exclusive display areas (so-called *hard shops*) taking up increasing space and gaining ever greater visibility in-store thanks to consolidation of the brand with the customer base.

  The growth of the North American distribution channel in question was partly mitigated by a rise of 5.0% in the Euro against the US dollar (average rate for 2011 being 1.3920 as against 1.3257 in the previous year).

- Greater China: net revenues up by €157 thousand (+4.3%) from €3,642 thousand to €3,799 thousand, on account of increased sales in the existing shops at 31 December 2010.

- Rest of the world: net revenues were up 43.4% in 2011 on the previous year, an increase form €9,106 thousand to €13,056 thousand. The positive trend in this geographical area is being led by growth in sales in Japan and Korea and specifically by sales in department stores.

Analysis of costs of raw materials, ancillaries and consumables

Given below are the details of the item Costs for raw materials, ancillaries and consumables taken from the consolidated financial statements for the year ended 31 December 2011 compared to the previous year:

(In thousand of Euros)	**Year ended 31 December**				**Period change**	
	2011	**% of revenues**	**2010**	**% of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Purchase of raw **materials, ancilaries** and consumables	63,310	26.0%	51,394	25.1%	11,916	23.2%
Change in inventory	(16,249)	-6.7%	(2,117)	-1.0%	(14,132)	>100%
Total cost of raw materials, ancilaries and consumables	**47,061**	**19.3%**	**49,277**	**24.1%**	**(2,216)**	**-4.5%**

The costs of raw materials, ancillaries and consumables come to €47,061 thousand for the year ended 31 December 2011 compared to €49,277 thousand for 2010, equating to a 4.5% fall of €2,216 thousand.

The percentage incidence of the cost of raw materials, ancillaries and consumables on revenues from sales and services, leaving aside the inventory change, went from 25.1% in 2010 to 26.0% in 2011. See the previous paragraph "*Analysis of Group operating costs and gross operating profit for the year ended 31 December 2011*" for more details.

Analysis of service costs

Given below is the detail of the item Service costs taken from the consolidated financial statements for the year ended 31 December 2011, compared with the previous year:

(In thousands of Euros)	Year ended 31 December				Period change	
	2011	**% of revenues**	**2010**	**% of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Outsourcing	62,420	25.6%	59,219	29.0%	3,201	5.4%
Commission and additional charges	12,617	5.2%	13,897	6.8%	(1,280)	-9.2%
Advertising and other marketing costs	12,752	5.3%	9,449	4.6%	3,303	34.9%
Transportation and custom duties	9,366	3.8%	7,152	3.5%	2,214	31.0%
Rents payable	8,098	3.3%	4,307	2.1%	3,791	88.0%
Credit card commission	1,096	0.5%	682	0.3%	414	60.7%
Other general expenses	1,732	0.7%	1,603	0.8%	129	8.0%
Consultancies	2,871	1.2%	2,713	1.3%	158	5.8%
Directors' and Statutory Auditors' fees	1,796	0.7%	1,605	0.8%	191	11.9%
Energy bills, phone, gas, water and postage	1,213	0.5%	997	0.5%	216	21.7%
Service charges	1,282	0.6%	898	0.4%	384	42.8%
Insurance	791	0.3%	827	0.4%	(36)	-4.4%
Total service costs	**116,034**	**47.7%**	**103,349**	**50.6%**	**12,685**	**12.3%**

Service costs amount to €116,034 thousand for the year ended 31 December 2011 as against €103,349 thousand for the previous year, representing an increase of €12,685 thousand, equal to 12.3%, attributable to the Group's increased business volume. Comparing the two periods, the percentage incidence of service costs on total revenues from sales and services is down from 50.6% in 2010 to 47.7% in 2011.

The main explanation for the rise in service costs from 2010 to 2011 may be analysed as follows:

- outsourcing costs were up by €3,201 thousand, equal to 5.4% (€62,420 thousand and €59,219 thousand for 2011 and 2010, respectively) on account of the increase in revenues. The reduced percentage incidence of outsourcing costs, from 29.0% in 2010 to 25.6% in 2011 was due not only to a change in the mix making up the net revenues as detailed above but

also to the change in the scope of consolidation, following the acquisition of the Max Vannucci S.r.l fashion house. See the previous paragraph "*Analysis of Group revenues, operating costs and gross operating profit for the year ended 31 December 2011"* for the pattern of correlation between raw material costs and outsourcing costs;

- advertising and other marketing costs were up in absolute terms, an increase of €3,303 thousand (34.9%) (€12,752 thousand in 2011 and €9,449 thousand in 2010), on account of the Group's investments in reinforcing and consolidating the brand; this means that this particular item, when comparing the two years in question, shows a percentage increase of 0.7%, up from 4.6% to 5.3% in 2011. Specifically, advertising and other marketing costs relate mainly to the production of catalogues, advertising campaigns, shows and fairs organised in Italy and abroad;

- transportation and customs duties costs were up by €2,214 thousand, equal to 31.0% (€9,366 thousand in 2011 and €7,152 thousand in 2010) due to the increase in sales volume. The percentage incidence of this item on Revenues from sales and services remained pretty much stable in the two periods of comparison (3.8% for 2011 and 3.5% for 2010);

- the item 'Rents payable' mainly consists of sums paid by the Brunello Cucinelli Group to the retail store lessors. This item is up €3,791 thousand on 2010, equal to 88.0%, from €4,307 thousand (2.1% of the revenues from sales and services) to €8,098 thousand in 2011 (3.3% of the revenues from sales and services) on account of the 8 new shops opening in the period in question, which was a significant doubling of Group's single brand stores compared to the previous year;

The increase in the above cost items is partly offset by:

- a reduction in Commission and ancillary charges from €13,897 thousand in 2010 to €12,617 thousand in 2011, representing a fall of €1,280 thousand, equal to 9.2%, which may be attributed to the following factors: i) in 2011 the Group ceased collaboration with its major agent in Germany, following the incorporation of Brunello Cucinelli Gmbh at the end of 2010 and direct management of the German market; (ii) in 2011 the Group renegotiated more favourable terms in its contract with IMC Group Inc., its sole agent for the continental area of the USA, on account of significant direct action to reinforce and consolidate the brand; (iii) the most significant increases in the Group's net revenues compared to 2010 was in the retail distribution

channel and/or in geographical areas (Greater China) where commission costs are lower.

As a result of all of this, the percentage incidence of Commissions and ancillary charges on Revenues from sales and services fell from 6.8% in 2010 to 5.2% in 2011.

Analysis of personnel costs

Given below is the analysis of the item Personnel costs taken from the consolidated financial statements for the year ended 31 December 2010 compared to the previous year

	Year ended 31 December				Period change	
(In thousands of Euros)	**2011**	**percentage of revenues**	**2010**	**percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Wages and salaries	27,803	11.4%	18,882	9.2%	8,921	47.2%
National Insurance payments	7,497	3.1%	5,296	2.6%	2,201	41.6%
Severance pay	1,551	0.6%	1,173	0.6%	378	32.2%
Other personnel costs	859	0.4%	239	0.1%	620	>100%
Total Personnel Cost s	**37,710**	**15.5%**	**25,590**	**12.5%**	**12,120**	**47.4%**

Personnel costs were €37,710 thousand for 2011 and €25,590 for 2010, up €12,120 thousand (+47.4%)

This rise is due to the increase in the average number of employees over the two years from 574.3 in 2010 to 715.8 in 2011, mainly on account of: (i) new staff being taken on at the Group's retail stores, including the new store openings; (ii) new staff taken on at the head offices in Solomeo due to the Group's expansion; (iii) change in the scope of consolidation, with the acquisition of the majority of shares of the Max Vannucci S.r.l fashion house, where the number of equivalent full time staff in the year was 31.5 and (iv) the awarding of pay increases at all levels of the company compared to the previous year, with the intention of maintaining a working environment in which the employee gets due recognition and praise and is thereby more highly motivated.

The percentage incidence of Personnel costs on Revenues from sales and services was up 3 percentage points from 12.5% in 2010 to 15.5% in 2011 as a consequence not just of the scope of consolidation but also the fact that between the second halves of 2010 and 2011 the Group initiated and more or less completed the reinforcing of its management structure, necessary to support the expansion plans.

Analysis of other net operating costs

Given below is the breakdown of the Item Other operating costs/(income) taken from the consolidated financial statements for the year ended 31 December 2011 compared to the previous year:

	Year ended 31 December				Period change	
(In thousands of Euros)	**2011**	**Percentage of revenues**	**2010**	**Percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Other sundry operating costs	774	0.3%	851	0.4%	(77)	-9.1%
Bad debts	94	0.0%	522	0.3%	(428)	-82.0%
Subscriptions	176	0.1%	188	0.1%	(12)	-6.4%
Taxes and charges	224	0.1%	156	0.1%	68	43.6%
Ordinary losses	106	0.0%	92	0.0%	14	16.3%
Total other net operating costs	**1,374**	**0.6%**	**1,809**	**0.9%**	**(435)**	**-24.1%**

The item Other net operating costs came to €1,374 thousand for the year ended 31 December 2011 as against €1,809 thousand for 2010, showing a fall of €435 thousand, equivalent to 24.1%, mainly due to the write-down of a receivable in the year 2010 relating to the subsidiary Brunello Cucinelli USA Inc.

The percentage incidence of Other net operating costs on the Brunello Cucinelli Group's Revenues from sales and services fell from 0.9% in 2010 to 0.6% in 2011.

Analysis of Increase in non-current assets from internal production

The increase in non-current assets from internal production (€229 thousand in 2011 and €191 thousand in 2010) relates to the production costs for the development of the historic "Brunello Cucinelli" collection.

Analysis of Amortisation and Depreciation

Given below is the detail of the item amortisation and depreciation taken from the consolidated financial statements for the year ended 31 December 2011 compared to the previous year.

	Year ended 31 December				Period change	
(In thousand of Euros)	**2011**	**percentage of revenu**	**2010**	**percentage of revenu**	**2011 vs 2010**	**2011 vs 2010 %**

	es		es			
Amortisation of non-current intangible assets	1,885	0.8%	1,215	0.6%	670	55.1%
Depreciation of property, plant and machinery	3,368	1.4%	2,625	1.3%	743	28.3%
Total amortisation and depreciation	**5,253**	**2.2%**	**3,840**	**1.9%**	**1,413**	**36.8%**

The Item Amortisation and depreciation totalled €5,253 thousand for 2011 and €3,840 thousand for 2010, an increase of €1,413 thousand or 36.8%.

Specifically, both the increased amortisation of the non-current intangible assets and depreciation of property, equipment and machinery were due to the Group's expansion program in the retail channel. The new store openings in the year meant the Group investing in Key Money and arranging the layout of the sales areas, with a knock-on effect on the year's amortisation.

The percentage incidence of the item Amortisation and depreciation on revenues from sales and services went from 1.9% in 2010 to 2.2% in 2011.

Analysis of adjustments to asset values and other allocations.

Adjustments to asset values and other allocations (€1,338 thousand in 2011 and €617 thousand in 2010) mainly relate to allocations for bad debt provision and the clientele's supplementary indemnity fund.

Specifically in the course of 2011 the Group allocated a bad debt provision of €341 thousand against the risk of non-payment of a VAT receivable from the German tax authorities and entered in the accounting for the previous financial years.

Analysis of financial charges and income

Given below are the results of the financial management for the year ended 31 December 2011 compared with 2010.

	Financial year ended 31 December			**Period change**		
(In thousand of Euros)	**2011**	**percentage of revenues**	**2010**	**percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Total financial charges	3,985	1.6%	4,004	2.0%	(19)	-0.5%
Total financial income	(1,428)	(0.5%)	(1,746)	(0.9%)	(318)	-18.2

						%
Total net financial charges	**2,557**	**1.1%**	**2,258**	**1.1%**	**299**	**13.2%**

Financial charges

Given below is a detailed breakdown of the item "Financial charges" taken from the consolidated financial statements for the year ended 31 December 2011 compared with the previous year.

	Year ended 31 December			**Period change**		
(In thousands of Euros)	**2011**	**Percentage of revenues**	**2010**	**Percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Realised losses on exchange rates	901	0.4%	1,491	0.7%	(590)	-39.6%
Other sundry financial charges	679	0.3%	339	0.2%	340	100.3%
Interest paid on loans	935	0.4%	886	0.4%	49	5.5%
Interest paid on advances and factoring	868	0.4%	635	0.3%	233	36.7%
Interest paid on derivative financial instruments	378	0.2%	399	0.2%	(21)	-5.3%
Unrealised losses on exchange rates	109	0.0%	22	0.0%	87	>100%
Fair value adjustment of derivatives	57	0.0%	184	0.1%	(127)	-69%
Interest payable to banks	58	0.0%	48	0.0%	10	20.8%
Total financial charges	**3,985**	**1.6%**	**4,004**	**2.0%**	**(19)**	**-0.5%**

The following schedule instead shows the exchange rates effect on financial management of the pattern of charges and interest on loans and mortgages:

	Year ended 31 December				**Period change**	
(In thousands of Euros)	**2011**	**percentage of revenues**	**2010**	**percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Realised losses on exchange rates	901	0.37%	1,491	0.73%	(590)	-39.60%
Unrealised losses on exchange rates	109	0.04%	22	0.01%	87	395.50%
Realised profit on exchange rates	(1,315)	-0.54%	(1,206)	-0.59%	(109)	9.00%
Unrealised profit on exchange rates	(34)	-0.01%	(292)	-0.14%	258	-88.40%
Exchange rates losses on derivatives at fair value					0	0.00%
Exchange rates profits on derivatives at fair value					0	0.00%
Effect of the exchange rates on financial management	**(339)**	**-0.14%**	**15**	**0.01%**	**(354)**	<100%
Other sundry financial charges	679	0.28%	339	0.17%	340	100.30%
Interest payable on loans	935	0.39%	886	0.44%	49	5.50%
Interest payable on advances and factoring	868	0.36%	635	0.31%	233	36.70%

Interest payable on financial instruments Derivatives hedging interest rate risk	378	0.16%	399	0.20%	(21)	-5.30%
Bank interest payable	58	0.02%	48	0.02%	10	20.80%
Fair value adjustment of derivatives	28	0.01%	36	0.02%	(8)	-22.20%
Sundry (incomer)	(34)	-0.01%	(84)	-0.04%	50	-59.50%
Bank interest receivable	(16)	-0.01%	(16)	-0.01%	0	0.00%
Financial charges (income) on funding and loans	**2,896**	**1.19%**	**2,243**	**1.10%**	**653**	**29.10%**
Total net financial charges	**2,557**	**1.05%**	**2,258**	**1.11%**	**299**	**13.20%**

2011 vs 2010

The effect of the exchange rates on financial management was positive to the tune of €339 thousand in 2011 as against a negative result of €15 thousand in 2010, showing an improvement of €354 thousand as a result of the Group's policy to hedge against exchange rate fluctuations.

The loans and mortgages interest burden was €2,896 thousand in 2011 and €2,243 thousand in 2010, an increase of €653 thousand mainly due to a rising trend of interest rates in 2011.

2010 vs 2009

The effect of exchange rates on financial management was negative to the tune of €15 thousand in 2010 as against a positive result of €40 thousand in 2009, a deterioration of €55 thousand.

The loans and mortgages interest burden was €2,243 thousand in 2010 and €2,635 thousand in 2009, an improvement of €392 thousand, mainly due to an interest rates drop in 2010.

Financial charges came to €3,985 thousand in 2011 as against €4,004 thousand in 2010, a fall of €19 thousand, mainly due to the combined effect of:

- A €233 thousand increase in the interest charges on advances and factoring due to greater use being made of them by the Group compared to the previous year;
- lower realised exchange rate losses to the tune of €590 thousand.

The percentage incidence of financial charges on Revenues from sales and services went from 2.0% in 2010 to 1.6% in 2011.

Financial income

Below is the breakdown of the item "Financial income" taken from the consolidated financial statements for the year ended 31 December 2011 compared with 2010:

(In thousands of Euros)	Year ended 31 December				Period change	
	2011	**percentage of revenues**	**2010**	**percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Realised profit on exchange rates	1,315	0.5%	1,206	0.6%	109	9.0%
Unrealised profit on exchange rates	34	0.0%	292	0.1%	(258)	-88.4%
Fair value adjustment of derivatives	29	0.0%	148	0.1%	(119)	-80.4%
Sundry income	34	0.0%	84	0.0%	(50)	-59.5%
Bank interest payable	16	0.0%	16	0.0%	-	-
Total financial income	**1,428**	**0.5%**	**1,746**	**0.9%**	**(318)**	**-18.2%**

Financial income was €1,428 for 2011 and €1,746 thousand for 2010, a fall of €318 thousand, equal to 18.2%, mainly on account of unrealised profit from exchange rates to the tune of €258 thousand (€34 thousand in 2011; €292 thousand in 2010), the fall being due to the depreciation of the dollar against the Euro (average rate 1.3920 in 2011 as against 1.3257 in 2010)

The percentage incidence of financial charges within Revenues from sales and services of the Brunello Cucinelli Group is basically unaltered for the two periods of comparison (0.7% for year ended 31 December 2011 as against 0.9% in 2010).

Analysis of pre-tax profit and income tax

Given below is the detailed breakdown of the items Pre-tax profit and income tax taken from the consolidated financial statements for the year ended 31 December 2011 compared with the previous year.

(In thousands of Euros)	Year ended 31 December				Period change	
	2011	**percentage of revenues**	**2010**	**percentage of revenues**	**2011 vs 2010**	**2011 vs 2010 %**
Pre-tax profit	**32,350**	**13.3%**	**17,869**	**8.7%**	**14,481**	**81.0%**
Current taxes	12,187	5.0%	6,649	3.3%	5,538	83.3%
Tax from previous years	327	0.1%	-		327	
Deferred tax liabilities (assets)	(1,189)	-0.5%	(216)	-0.1%	(973)	>100%
Total taxes	**11,325**	**4.7%**	**6,433**	**3.1%**	**4,892**	**76.0%**
Effective tax rate	*35,0%*		*36,0%*			

The nominal tax rate for the parent company was 31.4% both in 2011 and 2010, consisting of company Tax (IRES) at 27.50% and Regional Business Tax (IRAP) at 3.90%.

The effective tax rate was equal to 35.0% in 2011 and 36.0% in 2010.

The item "Tax from previous years" refers to higher taxes compared to previous years, imposed in 2011 following an inspection and subsequent Report on Findings ('pvc') by the Perugia Financial Police. The effective rate, net of the higher tax referred to above, is 34.0%.

Given below is the reconciliation between the nominal rate and the effective rate for the Brunello Cucinelli Group for the financial years ended 31 December 2011 and 2010:

	Year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Pre-tax profit	**32,350**	**17,869**
Applicable IRES rate for the year	27.5%	27.5%
Theoretical tax burden	**(8,896)**	**(4.914)**
Different income tax rates (IRAP)	(2,132)	(1,275)
Effect of the foreign companies' different tax rates	(102)	(165)
Permanent tax differences	(84)	(134)
Tax from previous years	(327)	
Other changes	216	55
Total tax in Income Statement	**(11,325)**	**(6,433)**
Effective tax rate	***35.0%***	***36.0%***

Analysis of Net profit, minority interests and Group net profit

Given below are the items Net profit, minority interests and Group net profit taken form the consolidated financial statements for the year ended 31 December 2011 compared to the previous year:

	Year ended 31 December		**Period change**	
(In thousands of Euros)	**2011**	**2010**	**2011 vs 2010**	**2011 vs 2010 %**
Net profit	**21,025**	**11,436**	**9,589**	**83.9%**
% incidence on revenues	*8.6%*	*5.6%*		
Minority interests	757	1,860	(1,103	-59.3%

			)	
Group net profit	**20,268**	**9,576**	**10,692**	**>100%**
% incidence on revenues	*8.3%*	*4.7%*		

Net profit for the year ended 31 December 2011 and 2010 was €21,025 thousand and €11,436 thousand, respectively. The percentage incidence on Revenues from sales and services went from 5.6% in 2010 to 8.6% in 2011 for the reasons described above.

Minority interests refer to the profit share attributable to minority shareholder mainly from the subsidiaries. Specifically, Gunex S.p.A (which merged with Brunello Cucinelli S.p.A. in 2011) had minority interests to the tune of €529 thousand, while Cucinelli Holding Co. LLC had minority interests of €658 thousand in 2011 and €993 thousand in 2010.

ANALYSIS OF EQUITY AND LOANS

Below is the re-classification of 'Sources and Uses" regarding the consolidated financial statements relating to equity and loans as of 31 December 2011 compared with the previous year:

	As of 31 December	
(In thousand of Euros)	**2011**	**2010**
USES		
Net current assets (1)	46,218	43,114
Non-current assets and other long-term assets	42,158	44,745
Assets destined for sale net of advances received	(1,097)	-
Long-term liabilities	(1,301)	(2,588)
Net invested capital (2)	**85,978**	**85,271**
SOURCES		
Net debt (3)	47,994	52,825
Shareholders' equity	37,984	32,446
Total funding sources	**85,978**	**85,271**

(1) Net current assets is calculated as current assets, net of current liabilities, apart from financial receivables and payables. Net current assets are not considered as an accounting measurement within IFRS. It is specified that the item was calculated in accordance with the Recommendation of CESR 05-054/b dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission regulation on prospectuses.' The determining criterion applied by the company might not match that adopted by other groups and as such the balance obtained by the company may not be comparable with that determined by these others.
(2) The Net capital invested is calculated as net current assets and non-current assets and other long-term assets net of long-term liabilities. Net capital invested is not considered an accountancy measure within IFRS. The determining criterion applied by the company might not match that adopted by other groups and as such the balance obtained by the company may not be comparable with that determined by these others.
(3) In accordance with the provisions of CONSOB (National watchdog for companies and the stock exchange) no. DEM/6064293 dated 28 July 2006, net debt is defined as the sum of cash and cash equivalents, current financial asset, non-current financial liabilities, the fair value of the futures derivatives and other non-current financial assets and was determined in compliance with the EC 05-054/b Recommendation of 10 February

2005 'Recommendations for the consistent implementation of the European Commission regulation on prospectuses".

Net current assets

Given below is the detailed composition of net current assets as at the 31 December 2011 year end compared to the previous year:

	As of 31 December	
(In thousands of Euros)	**2011**	**2010**
Trade receivables	48,832	47,624
Inventory	64,708	48,271
Trade payables	(56,129)	(43,981)
Other current receivables (payables)	(11,193)	(8,800)
Net current assets (1)	**46,218**	**43,114**

(1) Net current assets is calculated as current assets net of current liabilities and excludes financial receivables and payables. Net current assets are not considered an accountancy measure within IFRS. This was determined in accordance with the provisions of CESR 05-054/b Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission regulation on prospectuses". The determining criteria applied by the company might not match that adopted by other groups and as such the balance obtained by the company may not be comparable with that determined by these others.

The Brunello Cucinelli Group, despite showing a constant increase in revenues from sales and services was able in the course of the 2010 year to control the rise of net current assets, through its ability to increase the financial flow generated by its operations by a higher ratio compared to the increase in revenues from sales and services.

Net current assets as of 31 December 2011 totalled €46,218 thousand compared to €43,114 thousand in 2010, a 7.2% increase equal to €3,104 thousand. Specifically, compared to 31 December 2010 there are increases of €16,437 and €1,208 respectively for the items Inventory and Trade receivables, partially offset by the rise in Trade payables (€12,148) and the net balance of Other current assets and liabilities (€2,393 thousand).

The main factors behind this trend may be summed up as follows:

- trade receivables were up €1,208 thousand on 31 December 2010 (+2.5%) less than the ratio increase in Revenues from sales and services (up 19.1%) showing an improvement in the average day's receivables, up from 78.7 in 2010 to 71.3 in 2011. This improvement was possible thanks to the change in sales mix, with growth in the percentage incidence on total net Revenues, on the one hand of the retail channel (16.6% in 2010 to 22.2% in 2011) and on the other of geographical areas like North America and Greater China, characterised by average daily receivables rate lower than the Group average;

- inventory was up by €16,437 thousand compared to 2010 (+34.1.%). The growth mainly relates by stocks of finished products (+€12,574 compared with 2010) generally due to increased volume of production driven by: i) opening of new single brand stores in 2011 (a total of 18); ii) the single brand stores that will open in the first months of 2012 and who have the Group have sufficient stock ready.
  Average turnaround time of stock is in line with that of the previous year (83.8 days in 2011, 84.0 in 2010);

- trade payables were up €12,148 thousand on the previous year, equal to a 27.6% rise, on account of more purchases of raw materials and outsourcing by the Group in the latter part of the year to cope with increased production following the growth of the business and the new single brand shops opening in 2011 and anticipated for the first few months of 2012. The average payment period between the two years rose from 94.4 days to 100.5;

- the net negative balance of Other current assets/ (liabilities) rose by €2,393 thousand from a negative of €8,800 thousand 31 December 2010 to minus €11,193 31 December 2011.

  In the reclassification table of 'Sources and uses" of the consolidated equity and loans, the Group also includes under this item the fair value of the futures derivative instruments as a hedge for revenues in dollars and treated since 2010 according to the Cash Flow Hedge rules. Moreover, "Assets destined for sale net of advances received" in the item Other current payables/(liabilities) appearing in the consolidated financial statements as of 31 December 2011, have been reclassified under Net invested capital to the tune of €4,150 thousand, being the advances received by the Group in relation to the proposed taking over the contract for the single brand store in Milan, Via della Spiga 15.

  The increase in the negative balance of Other current assets/(liabilities) was mainly due to the following: (i) negative change of €2,868 thousand of the fair value of the derivative financial instruments whose equivalent value of plus €482 million as of 31 December 2010 was minus €2,386 thousand for 2011; ii) increase in the tax burden of €3,276 thousand, due to higher current taxes as a result of an improvement in pre-tax results. These effects were partly offset by increases in the items Other receivables and current assets, up €5,463 thousand, mainly due to the different quotation procedures currently used, and Tax receivables to the tine of €1,097 thousand.

Non-current and other long-term assets

Given below is the detail of the item Non-current assets and other long term assets as of 31 December 2011 compared to the previous year:

(In thousand of Euros)	As of 31 December	
	2011	**2010**
Non-current intangible assets	11,807	9,095
Property equipment and machinery	28,568	34,537
Other non-current assets	1,783	1,113
Non-current **and other long-term assets**	**42,158**	**44,745**

Non-current and other long-term assets amounted to €42,158 thousand as of 31 December 2011, compared to €44,745 thousand for the previous year, representing a fall of €2,587 thousand, equal to 5.8%.

The main factors behind this fall may be summarised as follows:

- increase of €2,712 thousand in non-current intangible assets, deriving from new investments over the year for a total of €7,578 thousand, consisting mainly of Key money (€6,668 thousand) for taking over the lease contract for the single brand retail stores, and changes of €33 thousand in the scope of consolidation, partly offset by: i) amortisation of €1,885 thousand, mainly for the Key money category iii) reclassification to assets destined for sale of the key money regarding the shop situated in Milan, Via della Spiga 15, as detailed in the previous paragraph *"Assets destined for sale net of advances received";*

- decrease of the item Property, equipment and machinery by €5,969 thousand, on account of new investments equalling €10,040 thousand and mainly regarding the setting up of the new single brand stores opening over the year (17 new outlets), and the change in the scope of consolidation through the acquisition of the majority shares of Max Vannucci S.r.l, whose property, equipment and machinery on the date of acquisition had a fair value of €775 thousand. These increases were more than offset by: i) depreciation over the year of €3,369 thousand; ii) the spin-off of the company, which took place immediately after the merger and which saw the assignation of part of the property to Parmenide S.r.l., a company fully controlled by Fedone S.r.l for a net carrying value of €13,108 thousand

- increase of Other non-current assets (€670 thousand) mainly relating to deposits made at the time of stipulating the rental agreements for the single brand stores opening over 2011.

Assets destined for sale net of advances received

During December 2011 the company received from a third party company a proposal to sublet the single brand store in Milan, Via della Spiga 15. The proposal is that the other party becomes a sub-tenant subject to meeting a series of

conditions outside the control of the company. These include acceptance by the owner of the property to sign a new rental agreement with the proposing company, which duly occurred on 13 January 2012 when the contract was signed. The company continued its retail operation at the store in Via della Spiga 15 until 7 January 2012.

On 31 December 2011, the company received advances of €4,150 thousand from the other party. The amount of the key money as of 31 December 2011 relating to the Milan store in Via della Spiga 15 was €3,053 thousand and was accordingly reclassified under the item "Non-current assets destined for sale net of advances received". The sale price of this key money was greater than the relative net carrying value as of 31 December 2011.

Long-term liabilities

Given below is the detail of the item Long-term liabilities as of 31 December 2011 compared with the previous year:

	As of 31 December	
(In thousands of Euros)	**2011**	**2010**
Employee benefit liabilities	2,695	2,404
Provision for liabilities and charges	893	930
Deferred tax payables/(receivables)	(3,009)	(1,263)
Other non-current liabilities	723	517
Long-term liabilities	**1,301**	**2,588**

Long-term liabilities as of 31 December 2011totalled €1,301 thousand, compared to €2,588 thousand the year before, registering a fall of €1,287 thousand, equal to 49.7%

The item Employee benefit liabilities is up €291 thousand from €2,404 thousand at 31 December 2010 to €2,695 thousand for the following year, mainly due to the change in the scope of consolidation following the acquisition of 51% of Max Vannucci S.r.l

The item Provision for liabilities and charges is down by €37 thousand, from €930 thousand at 31 December 2010 to €893 thousand at 31 December 2011, due to the combined effect of allocations (€58 thousand) and uses (€98 thousand) registered in the year 2011.

The net balance of Deferred tax payables/ (receivables) was up by €1,746 thousand, from €1,263 thousand at 31 December 2010 to €3,009 thousand at 31 December 2011, mainly on account of the change in tax rates registered in the period on the fair value of the derivatives hedging revenues denominated in dollars.

The item "Other non-current liabilities" was up by €206 thousand from €517 thousand at 31 December 2010 to €723 thousand at 31 December 2011. The item refers to amounts due after the next financial year still to be paid to the lessees of

the Brunello Cucinelli Group's single brand stores in the USA, on account of the normalisation of rents in line the provisions of IAS 17.

Net debt

Given below is the detail of the item Net debt as of 31 December 2011 compared with the previous year, in accordance with the CESR recommendation of 10 February 2005 "Recommendation for the consistent implementation of the European Commission regulation on prospectuses".

	Year ended 31 December	
(In thousands of euros)	**2011**	**2010**
A. Cash	(93)	(148)
B. Other cash equivalents	(8,590)	(6,812)
C. Liquidity (A + (B)	**(8,683)**	**(6,960)**
D. Current financial receivables	**-**	**(1)**
E. Current bank payables	38,539	30,774
F. Other current financial payables	527	434
G. Current payables **(E) + (F)**	**39,066**	**31,208**
H. Net current debt (G) + (D) + (C)	**30,383**	**24,247**
I. Non-current bank payables	17,611	28,304
J. Other non-current payables	-	275
K. Non-current net debt (I) + (J)	**17,611**	**28,579**
L. Net debt (H) + (K)	**47,994**	**52,826**

Net debt as of 31 December 2011 was €47,994 thousand compared to €58,826 the previous year, a drop of €4,292 thousand, equal to -8.12%.

The progressive fall in the net debt over the year in question may be attributed to the repayment of the amounts due on medium and long-term loans, increased availability deriving from cash flows generated by the operations, and also the limiting of net current assets despite the growth in business volumes. Additionally, regarding the reduction in the non-current debt, in the context of the spin-off of the Foro delle Arti property and the properties in Borgo di Solomeo, the beneficiary of the spin-off, Parmenide S.r.l took on part of the pool loans (for a total of €3,300 thousand) and the entire residual debt as of 31 December 2010 relating to the mortgage previously taken out by the company with the Banca delle Marche (€891 thousand)

Given below is the relevant information relating to the cash flows generated and absorbed by the operations, investment and loans during the financial year ended 31 December 2011 compared to the previous year:

	Year ended 31 December	
(In thousands of Euros)	**2011**	**2010**
Net cash flow generated by operations (A)	20,337	19,019

Net cash flow absorbed by investments (B)	(14,496)	(7,701)
Net cash flow absorbed by loans (C)	(4,206)	(7,764)
Overall cash flow D = (A+B+C)	**1,635**	**3,554**
Cash and cash equivalents at start of the year (E)	6,960	3,283
Effect of exchange rates on net cash and cash equivalents (F)	88	123
Cash and cash equivalents **at end of the year G = (D+E+F)**	**8,683**	**6,960**

Shareholders' equity

Given below is the detail of the item Shareholders' equity as of 31 December 2011 compared with the previous year:

	As of 31 December	
(In thousands of Euros)	**2011**	**2010**
Share capital	12,000	4,600
Reserves	4,026	13,221
Profit for the year	20,268	9,576
Minority interests	1,690	5,049
Shareholders' equity	**37,984**	**32,446**

The share capital as of 31 December 2010 was €4,600 thousand, fully paid up, and consisted of: 46,000 shares each with a nominal value of €100. The Shareholders EGM on 22 June 2011 voted to increase the share capital with a bonus issue, by using available reserves. As of 31 December 2011 the share capital was €12,000 thousand, made up of 60,000,000 ordinary shares.

The Minority interests refer to the portion of Shareholders' equity owned by minorities in the subsidiary companies. Specifically, Cucinelli Holding Co LLC has minority interests of €871 thousand in 2011 and €323 thousand in 2010. Max Vannucci S.r.l., which was acquired by the Group in 2011, has minority interests of €312 thousand. Gunex S.p.A for 2010 (in 2011it merged with Brunello Cucinelli S.p.A) had minority interests of €4,181 thousand.

The main changes in the company's shareholders' equity over 2011 were represented by: i) overall profits for the year; ii) the distribution of dividends; iii) the spin-off process, described in detail in the explanatory notes, as a result of which part of the property with a net carrying value of €13,108 thousand was assigned to Parmenide S.r.l together with the relevant portion of the medium to long-term debt (a sum of €4,191 thousand).

ECONOMIC AND FINANCIAL INDICATORS

Given below are the Group's main economic and financial indicators for the financial year ended 31 December 2011.

Profitability indices

The table below shows the pattern of the main profitability indices as of 31 December 2011 compared with the previous year:

	As of 31 December	
	2011	**2010**
ROE (return on equity) Net profit for the year/average shareholders' equity for the year	59.7%	40.4%
ROI (return on investment) operating profit/net average capital invested over the year	40.8%	23.6%
ROS (return on sales) operating profit/revenues from sales and services	14.3%	9.8%
ROA (return on assets) Net profit for the year /total assets	11.3%	7.3%
Assets turnover - Revenues from sales and services/net average capital invested for the year	2.8 times	2.4 times

The 2011 ROE was up on 2010 due to the increase in net profit for the year (+83.9%) - a higher ratio than the increase in average shareholders' equity.

The 2011 ROI was up 17.1 percentage points on 2010, thanks to an improved operating profit (which between the two periods went from €20,127 thousand to €34,907 thousand, equal to a 73.4% growth rate), while the net average capital invested stayed much the same.

The 2011 ROS was up 4.5% on 2010, following an improved operating profit, with a percentage growth of 73.4% and higher than the increase in revenues from sales and services (+19.1%).

In 2011 ROA was up thanks to increased Group net profits (up 83.9% on 2010), again higher proportionally than the increase in total assets over the two years (+18.1%).

Assets turnover between the two periods registered 0.4 fold improvement, going from 2.4 to 2.8 times, thanks to increased revenue from sales and services (up 19.1%), with a net average invested capital staying basically the same between the two years.

Asset indices

Indices of a strong balance sheet

The solidity analysis is designed to ascertain the ability of the Brunello Cucinelli Group to maintain over the medium to long-term a constant balance of monetary outflows for repayment of sources and recoveries from uses, so as not to compromise the operational financial equilibrium.

	As of 31 December	
	2011	**2010**
Ratio - shareholders' equity/total assets	20.5%	20.6%
Ratio - total current assets/total current liabilities	109.4%	120.4%
Primary structure margin - shareholders' equity/*non-current* assets and other long- term *receivables*	90.1%	72.5%
Secondary structure margin - *shareholders' equity/non-current assets and other long- term receivables*	131.9%	136.4%
Cover for financial charges index - EBITDA/net financial charges	15.7 times	10.6 times

The ratio between net assets and total assets has stayed roughly stable over the year on account of an increase in net assets broadly proportional to the increase in total assets.

The ratio between total current assets and total current liabilities shows an improvement in the ability of the group to generate cash flows from operations.

The primary structure margin improved over the year due to an increase in shareholders' equity greater proportionally than that of non-current assets and other long-term receivables.

The secondary structure margin over the year was affected by the repayment of portions of the non-current loans.

The cover for the financial charges index shows significant improvement over the year thanks to continuing growth of the EBITDA, as pointed out earlier, compared to the debt level, which is falling.

Index of turnover

	As of 31 December	
	2011	**2010**
Index of receivables turnover - revenues from sales and services/average trade receivables	5.0 times	4.6 times
Average period for encashment of trade receivables (average trade receivables/revenues from sales and services)* 360 days	71,3	78,7
Index of debt turnover - (costs of raw and secondary materials and consumables + service costs)/average trade payables	3.3 times	3.8 times
Average payment period for trade payables (average trade payables/(costs of raw materials, ancillaries and consumables, net of inventory change +service costs)*360 days	100.5	94.4
Average time of stock in warehouse - Inventories-Advances/Revenues from sales and services	83.8	84.0

The ratio between revenues from sales and services and average trade receivables went up during the year demonstrating the ability of the Group management to improve cash flows.

Average encashment time went down over the year thanks to a reduction in average payment times by customers

The ratio between costs for materials and services and average trade payables went down over the year on account of reduced payment times to suppliers.

Average payment times for trade payables went up over the year thanks to deferment in payments to suppliers.

Average time of stocks in warehouse stayed much the same over the year indicating efficient management.

SCHEDULE OF RELATIONSHIP BETWEEN SHAREHOLDERS' EQUITY AND PARENT COMPANY PROFIT FOR THE YEAR AND SHAREHOLDERS' EQUITY AND CONSOLIDATED NET PROFIT FOR THE YEAR

The following table shows the relationship between shareholders' equity and Parent Company profit for the year and shareholders' equity and consolidate profit for the years ended 31 December 2011 and 2010 (amounts in thousands of euros)

Amounts in thousands of Euros	**Year ended 31 December**			
	2011		**2010**	
	Profit	Shareholders' equity	Profit	Shareholders' equity
Parent company's financial statements	19,058	35,091	1,294	6,963
Difference between the carrying amount of equity investments and net equity valuation	3,302	4,123	10,413	21,548
Elimination of the effects of transactions within the Group	-	(30)	(30)	(30)
Elimination of stock margins within the Group	(2,866)	(4,517)	(1,052)	(1,651)
Elimination of dividends	(326)		(1,389)	
Tax effects of consolidation adjustments	1,099	1,627	339	527
Other movements	1	-	1	40
Total attributable to the Group	**20,268**	**36,294**	**9,576**	**27,397**
Minority interests	757	1,690	1,860	5,049
Total consolidated financial statements	**21,025**	**37,984**	**11,436**	**32,446**

RESEARCH AND DEVELOPMENT

The Group continues to invest in research and development, which it sees as

crucial, so as to create new products which meet client expectations, but also to consolidate the know-how built up over time.
Analysis of the financial statements shows that there have been significant costs for personnel working in research and development. The figures are:

€3,666,128 for 2010
€4,583,353 for 2011

PRINCIPAL RISKS AND UNCERTAINTIES FOR THE GROUP

The Brunello Cucinelli Group is exposed to varying degrees of financial risks relating to its core business Specifically, the Group is at one and the same time exposed to market risk (exchange rates and interest rates), cash flow risk and credit risk.

The management of financial risks follows guidelines laid down by the Board of Directors. The aim is guarantee a debt structure which is always in equilibrium with the company's assets so as to maintain an appropriate level of solvency.

The main financial instruments used are:

- medium to long-term loans with a multi-year repayment plan, to cover investments in non-current assets;

- short-term loans and bank overdrafts to finance current assets.

In addition the Brunello Cucinelli Group signs financial instruments to hedge the risk of fluctuation in interest rates, which might affect the amount of to long-term debt, and exchange rates, which could affect the Group's financial results.

The average cost of debt is linked to Euribor 3 and 6 month rates, plus a spread which depends on the financial instrument used by the company and its rating.

There is no speculative negotiation of derivatives

Risk of interest rate fluctuation

The Brunello Cucinelli Group's vulnerability to fluctuations in interest rates is managed by taking due account of the overall exposure: within the general policy of optimising financial resources, the Group seeks a balance in opting for less burdensome forms of financing.

As regards market risk due to interest rate changes, company policy is to cover its exposure to medium to long-term debt. In managing such risks, financial instruments such as interest rate swaps are used (in some cases with a cap).

As of 31 December 2011 there were 10 positions involving interest rate swaps (of which 2 with cap) as hedge the risk deriving from the potential increase of debt servicing charges by banks due to fluctuation in the market interest rates. The notional value of these positions was €16.7 million with a negative equivalent value of about €527 thousand.

Also on 31 December 2010 there were 10 positions involving interest rate swaps (of which 2 with cap) as cover for the risk of a potential increase in the debt servicing charges by banks due to fluctuation in the market rates of interest. The notional value of these positions was €25.7 million with a negative equivalent value of €432 thousand.

Short term bank debt, mainly resorted to for funding the need for current assets and is not subject to interest rate risk hedging.

The cost of bank debt is based on the Euribor period rate plus a spread which will depend on the line of credit used. The margins applied are in line with best market practice. The interest rate risk that the Group is exposed to mainly derives from existing loans.

The main sources of exposure for the Group regarding interest rates relate to short and medium to long-term loans and to derivatives. Although the Group has a precise hedging policy, the potential impact on the income statement for 2012 (comparison with 2011) attributable to the risk are:

- potential change in financial and differential charges on existing derivative instruments in the 2011 financial year:

- potential change in fair value of the existing derivatives.

Potential changes in fair value of the effective component of the hedging of existing derivative instruments will on the other hand impact on the shareholders'equity.

Credit risk

Credit risk represents the company's exposure to potential losses deriving from the other parties not meeting their obligations.

The Group's exposure to trade receivable risk relates solely to sales to the multi-brand wholesale and single brand wholesale channels, which together represent 77.8% of net revenues as of 31 December 2011: the remaining turnover relates to retail sales with cash or debit or credit card payments.

The Group tends to offer preferential arrangements with consolidated long-term clients. The Group's policy with customers asking for deferred payment terms is to run the appropriate receivables check on them both getting information both from specialist agencies, and through observation and analysis of the creditworthiness of existing customers. The receivables balance is continuously monitored over the financial year so as to ensure swift action where necessary and reduce the risk of losses. Confirming this policy is the movement of the bad debt provision for the years ended 31 December 2010 and 2011 (see note 5).

Trade receivables appear in the balance sheet net of estimated bad debts based on the risk of default by the other party, which is determined by examining available information regarding the customer's solvency and past history.

Liquidity risk

The Brunello Cucinelli Group manages liquidity risk by keeping a close control of the elements making up the operating current assets and specifically of trade receivables and payables.

The Group is committed to generating a healthy cash flow to be used for outgoings necessary for payment to suppliers and does so without compromising the short term financial equilibrium and avoiding critical levels and pressure on current liquidity.

Currency risk

The Group is exposed to changes in the exchange rates of currencies used for sales (mainly US dollars) to related and third parties. This risk lies in the possibility that the Euro equivalent of the revenues reduces as a result of a negative fluctuations in the exchange rates, thus jeopardising achieving the desired margin.

In order to contain the exposure to this risk within the company's business, the Group stipulates derivative contracts (forward exchange rate transactions) so as to define the translation rate in advance, or else a predefined range of rates at future dates.

Forward hedging contracts are signed when the currency rates for the season, based on an estimate of turnover and considering closures date for the hedge those when the sales invoices are due for payment. Specifically, the Group defines its sales prices in Euros, working out the dollar equivalent by applying the rate in the future contract.

Starting from the 2010 financial year the company adopted Cash Flow Hedge Accounting for accounting for future derivative contracts to hedge the exchange rate risk associated with highly likely foreign currency commercial transactions. As

a consequence the effective element of the fair value change of the futures derivatives for highly likely transactions in foreign currencies are allocated to a special shareholders' equity reserve. When the hedged transaction is recorded the allocated reserve sums are attributed to Revenues in the Income Statement. The ineffective element of this fair value change is attributed to Financial Revenues and Charges in the Income Statement. Changes in fair value subsequent to the recording of the transactions hedged are attributed to the Income Statement in Financial Income and Charges, in accordance with the procedures for accounting entries for hedged items.

The aim of the company's financial policy is not to allow the operational results to be influenced by exchange rate fluctuations in the period between stipulation of the future exchange contracts and the dates of invoicing and payment.

The potential impact on the Income Statement for the financial year 2011 (with 2010 for comparison) attributable to exchange rate risk are:

- Write-up/write-down of the positive and negative postings in foreign currencies.

- Change in the fair value of the current derivatives hedging the positive and negative postings in foreign currencies.

- Change in the fair value of the ineffective element of the derivative instrument hedging highly likely transactions in foreign currency.

The potential impact on shareholders' equity at the 2011financial year-end (2010 for comparison) attributable to exchange rate risk are:

- Change in the effective fair value component of current derivatives hedging highly likely transactions in foreign currencies.

MANAGEMENT AND COORDINATION

As of 31 December 2011 the share capital was 93.58% held by Fedone S.r.l, which is in turn 100% controlled by Cav. Lav. Brunello Cucinelli.

The company considers that it is not subject to management and coordination by Fedone S.r.l in that: (i) the main decisions regarding management of the company and its subsidiaries are taken within the company itself; (ii) the company's Board of Directors is responsible for scrutinising and approving strategic, industrial and financial proposals and the budgets of the company and the Group and scrutiny and

approval of the Group's organisational structure, evaluation of the adequacy of the organisation, administration and accountancy of the company and of the Group; (iii) the company is totally autonomous in its dealings with customers and suppliers, with no interference by anyone outside the company; (iv) Fedone S.r.l has no central financial role with the company.

RELATIONSHIPS WITH SUBSIDUARY AND RELATED COMPANIES AND OTHER RELATED PARTIES

The following section details financial and asset-linked relationships with the related parties. The companies indicated have been identified as related parties, being linked directly or indirectly with the shareholders of the Brunello Cucinelli Group.

The detail of the financial and asset-linked relationships between the Group and the related parties as of 31 December 2011 and for the financial period ending on the same date is as follows:

(In thousands of Euros)	**Net revenues**	**Other operating income**	**Financial income**	**Costs for raw materials**	**Costs for services**	**Other operating costs**	**Personnel costs**	**Property equipment and machinery**	**Other non-current financial assets**	**Trade receivables**	**trade payables**
Fedone S.r.l.		3	16								
MO.AR.R. S.n.c.	17			(27)	(64)			3,123			570
AS.VI.P.I.M. Gruppo Cucinelli		3			(486)						
Cucinelli Giovannino					(7)			901			152
Castel Rigone	34	2									
Azienda Agricola Solomeo		2			(2)						7
Fedro S.r.l.		3			(44)						4
Parmenide S.r.l.		3			(264)				41	2	
Bartolemo S.r.l.		3			(14)	(1)				10	
Fondazione Brunello Cucinelli		34									
Brunello Cucinelli's family		11					(172)				
Total	**51**	**64**	**16**	**(27)**	**(881)**	**(1)**	**(172)**	**4,024**	**41**	**12**	**733**

related parties											
Total per financial statements	**242,635**	**813**	**1,428**	**(47,061)**	**(116,034)**	**(1,374)**	**(37,710)**	**28,568**	**1,783**	**48,832**	**56,129**
% incidence	0.02%	7.90%	1.12%	0.06%	0.76%	0.07%	0.40%	14.80%	2.28%	0.02%	1.31%

Details of the asset and financial links of the Brunello Cucinelli Group with related parties as of 31 December 2010 and the financial year ending on the same date are as follows:

	Year ending 31 December 2010					**31 December 2011**		
(In thousands of Euros)	**Net revenues**	**other operating income**	**Raw materials costs**	**Services costs**	**Personnel costs**	**Property equipment and machinery**	**Trade receivables**	**Trade payables**
Fedone S.r.l.		3						
MO.AR.R. S.n.c.	8		(46)	(34)		1,536		262
AS.VI.P.I.M. Grippe Cucinelli		3		(432)			4	32
Cucinelli Giovanni no				(20)		605		55
A.S.D. Castle Rigone Associazione Sportiva Dilettantistica	16	1		(236)			19	
Azienda Agricola Solomeo		1		(6)				1
Max Vannucci S.r.l.		56		(1,889)			1	518
Fedro S.r.l.		3		(50)				
Brunello Cucinelli's family					(102)			
Total for related parties	**24**	**67**	**(46)**	**(2,667)**	**(102)**	**2,141**	**24**	**868**
Total consolidated statement	**203,599**	**819**	**(49,277)**	**(103,349)**	**(25,590)**	**34,537**	**47,624**	**43,981**
% incidence	0.01%	8.1%	0.09%	2.58%	0.40%	6.20%	0.05%	1.97%

Specifically:

- Fedone S.r.l.: The Brunello Cucinelli Group performs administration services for the parent company Fedone S.r.l. for which it was paid both €3 thousand both in 2010 and 2011;

- MO.AR.R S.n.c: the item Service costs for the related party MO.AR.R S.n.c, of which Mr Enzo Cucinelli, brother of Cavaliere del Lavoro

Brunello Cucinelli, holds 50% of the shares, equivalent to €64 thousand at 31 December 2011 and €34 thousand in 2010. These sums relate to the purchase of furnishings for shows and fairs. In 2011 and 2010 the Group acquired from MO.AR.R S.n.c furnishings for shops and offices for a total of €3,123 thousand and €1,536 thousand respectively;

- AS.VI.P.I.M Cucinelli Group: this association provides security services at all the structures at Solomeo which are used by the Group for its business. Note that Cav. Lav. Brunello Cucinelli and the Group are both related parties. The costs borne by the Group for the years 2011 and 2010 respectively were €486 thousand €432 thousand;

- Cucinelli Giovannino: Mr. Giovannino Cucinelli is the brother of Lav. Brunello Cucinelli. The item Service costs (€7 thousand on 31 December 2011 and €20 thousand in 2010) includes the costs associated with installation, maintenance and normal repairs of the water supply and air conditioning; under the item Property, equipment and machinery; the costs of installation and supplementary maintenance work on the above were capitalised at €901 thousand and €605 thousand on 31 December 2011 and 2010 respectively;

- A.S.D Castel Rigone Associazione Sportiva Dilettantistica (Amateur sports association): as of 31 December 2011 the relationships refer solely to the item Net revenues of €34 thousand, for the sale of the sports association's official outfits; as at 31 December 2010 on the other hand, the item Costs for services, contribution and advertising came to €236 thousand and Net revenues were €16 thousand;

- Max Vannucci S.r.l: the Brunello Cucinelli Group rented a property at Taverne di Corciano (Perugia) for the sum of €56 thousand in 2010; the item Costs for services refers however to the cost to the Group for a clothes workshop activity by the related party, which as of 31 December 2010 came to €1,889 thousand.
  In 2011, the Group gained control of the company with a 51% share of the company capital: Therefore starting from the current financial year, Max Vannucci S.r.l comes within the scope of consolidation;

- Fedro S.r.l.: Lav. Brunello Cucinelli holds 100% of the shares and is the sole director of this company. The item Costs for services includes the costs borne by former Brunello Cucinelli S.p.A for renting the factory outlet in Solomeo (€44 thousand as at 31 December 2011 as against €50 thousand as at 31 December 2010. The item “Other income” includes administrative services to the related party Fedro S.r.l which both for 31 December 2010 and 31 December 2011 came to €3 thousand;

- Bartolomeno S.r.l: the company, which was set up in 2011, whose shareholders are Fedone S.r.l and Lav. Brunello Cucinelli, performs

gardening and normal maintenance work for the Group and payment for services rendered as of 31 December 2011 amounted to €14 thousand;

- Fondazione Brunello Cucinelli: the item “Other operating income”, which on 31 December 2011 amounted to €34 thousand, includes the rent for the Theatre and Academy for the first half of 2011, prior to the spin-off affecting the Foro delle Arti property, as described in the paragraph "Company additions, acquisition of minority shares and operations under common control",

- Parmenide S.r.l: the company is entirely controlled by Fedone S.r.l and rents two properties in Corciano (Perugia) to the Group for the sum paid as of 31 December 2011 amounted to €264 thousand;

- The Brunello Cucinelli family: the item Personnel costs includes payments made to family members of the entrepreneur Brunello Cucinelli of €172 thousand in 2011 and €102 thousand in 2010.

INFORMATION RELATING TO PERSONNEL

Staff numbers

The following table shows the pattern of employment within the Group as a whole as of 31 December 2011 and 2010, divided into the following categories:

	Year ending 31 December	
	2011	**2010**
Senior and junior management	30.8	23.9
Office workers	301.2	222.0
Shop floor	383.8	328.4
Total staff numbers	715.8	574.3

The increase in the average number of staff recorded for 2011 is related to the expansion of the Brunello Cucinelli Group.

INFORMATION REGARDING THE ENVIRONMENT

Over the period there was no environmental damage.

Over the period none of the Group companies was fined or otherwise punished for any environmental crime or damage.

TREASURY SHARES AND SHARES IN PARENT COMPANIES

As of 31 December 2011 the Group companies do not hold either directly or through others any treasury shares or shares in parent companies.

DATA PROTECTION DOCUMENT

In accordance with the provisions of appendix B, clause 26, of Italian Legislative Decree no. 196/2003 on the Protection of Personal Data Code, the Board of Directors declares that the company complies with data protection regulations, in accordance with the provisions of Legislative Decree no.196/2003 in the terms and manner stated therein. Specifically, it should be noted that the Programmed Data Protection Document, filed at the registered office and freely consultable, has been updated by the person in charge of data handling as per legal requirements.

SIGNIFICANT EVENTS FOLLOWING THE FINANCIAL YEAR-END

On 27 January 2012 the company's Board of Directors approved the proposal to allow ordinary shares to be listed on the screen-based stock exchange (MTA) managed and run by Borsa Italiana S.p.A.

On the same date the company’s Shareholders Meeting voted to apply to be listed on the MTA and increase its share capital with the exclusion of option rights, as per article 2441. 5 of the Civil Code, for the worldwide sales offer, subscription and listing.

The increase in share capital as agreed by the meeting is to be through the payment in tranches, as per the provisions of art.2439. 2 of the Civil Code, for shares with a face value of €12,000.000 to a maximum face value of €13,600.000 and so a maximum value of €1,600.000, through the issue of a total of 8,000,000 shares with no face value and with regular payment of dividend, to be subscribed and paid and with a share premium by the start date of dealing on the MTA The minimum unit price of the issue was set at €0.62, of which €0.42 being the minimum share premium, bearing in mind the provisions of art. 2441. 6 of the Civil Code, regarding the value of company's shareholders’ equity.

The company's listing could well be a major occasion for further expansion with significant advantages both in financial terms and for the company image. Listing the company's shares should enable the company on the one hand to access sufficient risk capital to meet its funding needs for the its expansion plans and thereby ensuring greater security and financial stability, and on the other it would give the company increased visibility on the reference markets.

The global offer consists of (a) a public offer of subscription and sale to the general public in Italy and (b) a simultaneous private allocation reserved for (i) qualified

investors in Italy and institutional investors abroad as per Regulation S of the 1933 United States Securities Act, as amended, excluding Canada, Japan and Australia and any other country where the offer of financial instruments is not allowed except when authorised by the relevant authorities, apart from any exemptions as specified in the relevant legislation; and (ii) the "Qualified Institutional Buyers" in the United States as per Rule 144 of the 1933 United States Securities Act, as amended.

On 2 February 2012 the company applied to be listed on the Italian Stock Exchange (Borsa Italiana S.p.A), presenting a series of documents proving the company's compliance with the requisites and the actions demanded by the Market Regulations with relevant instructions, and on the same date the company informed Consob of its intention to make a public shares offer and sought their approval of the prospectus to be published. The company will also make available a document in English (i.e. an offering circular) to institutional buyers in Italy and abroad in the context of an institutional placement.

At the meeting on 27 January 2012, a number of other decisions were taken regarding the listing and specifically the hiring of Reconta Ernst & Young S.p.A to audit the accounts for the years 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 in accordance with the provisions of the regulations applicable to publicly listed companies, the adoption of the meeting regulation and the adoption of the new statutory text regarding stock exchange listings.

It is also noted that:

- on 26 January 2012 the company concluded a 'head of terms' agreement with Sichuan Lessin Department Stores Ltd, whereby the parties fixed the essential terms and conditions for setting up a new company 51% controlled by the Brunello Cucinelli Group and the remaining 49% by Sichuan Lessin Department Stores Ltd.

- in January 2012 the company acquired a 75% share in Brunello Cucinelli Japan Co., Ltd.

- in January 2012 Brunello Cucinelli Retail Deutschland GmbH was set up, Brunello Cucinelli Europe S.r.l having a 70% stake, and 30% being held by Michael Meyer, the Group's commercial partner in Germany.

OUTLOOK

The figures in the 2011 financial statements as summarised here give us considerable grounds for satisfaction. These come with other factors which give us much faith in the future of our company both in the short and medium-term. The outlook is extremely positive, also considering the recent year-on-year growth which encourages us to continue with the strategy we have followed to date.

In conclusion our expectations for the future are positive and we feel there is every reason to look forward to further growth and expansion of the Group.

Chairman of the Board of Directors
Cav. Lav. Brunello Cucinelli

Brunello Cucinelli S.p.A. Group

BRUNELLO CUCINELLI

Consolidated financial statements as of 31 December 2011

Introduction

Given below are the consolidated financial statements of the Brunello Cucinelli Group for the year ended 31 December 2011, consisting of a consolidated statement of assets and liabilities, the consolidated income statement, consolidated statement of cash flows, statement of changes in consolidated shareholders' equity and explanatory notes, set out in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the EU (hereafter referred to as IFRS) for the purposes of inclusion in the Prospectus prepared for a listing on the Italian Stock Exchange.

The presentation of the consolidated statement of consolidated assets and liabilities is arranged with a financial classification based on increasing liquidity, where:

- non-current assets include positive balances with a redemption cycle of more than twelve months and include intangible assets, property, equipment and machinery and financial assets;

- current assets include positive balances with a redemption cycle within twelve months;

- non-current liabilities include payables after twelve months, including loans, provisions for liabilities and charges and employee termination benefits;

- current liabilities include payables within twelve months, including the short-term portion of medium to long-term loans, provisions for liabilities and charges and employee termination benefits.

The presentation of the consolidated income statement follows a classification costs by the nature of the expenditure.

The consolidated statement of cash flows has been arranged using the indirect method and in accordance with IAS 7, classifies financial flows for operating assets, investments and loans.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2011

Consolidated statement of assets and liabilities as at 31 December 2011

(In thousands of Euros)	Notes	31 December 2011	2010
NON-CURRENT ASSETS			
Intangible assets	Note 1	11,807	9,095
Property equipment and machinery	Note 2	28,568	34,537
of which related parties		4,024	2,141
Other non-current financial assets	Note 3	1,783	1,113
Deferred tax credits	Note 21	3,701	1,754
TOTAL NON-CURRENT ASSETS		**45,859**	**46,499**
CURRENT ASSETS			
Inventories	Note 4	64,708	48,271
Trade receivables	Note 5	48,832	47,624
of which related parties		12	24
Tax receivables	Note 6	1,652	555
Other receivables and current assets	Note 7	12,592	7,128
Cash and cash equivalents	Note 8	8,683	6,960
Current derivative instrument assets	Note 9	-	663
TOTAL CURRENT ASSETS		**136,467**	**111,201**
Assets held for sale	Note 10	3,053	-
TOTAL ASSETS		**185,379**	**157,700**
SHAREHOLDERS' EQUITY			
GROUP SHAREHOLDERS' EQUITY			
Share capital	Note 11	12,000	4,600
Reserves	Note 11	4,026	13,221
Group net profits	Note 11	20,268	9,576
TOTAL GROUP SHAREHOLDERS' EQUITY		**36,294**	**27,397**
MINORITY INTERESTS			
Minority capital and reserves	Note 11	933	3,189
Minority profits share	Note 11	757	1,860
TOTAL MINORITY INTERESTS		**1,690**	**5,049**
TOTAL EQUITY		**37,984**	**32,446**
NON-CURRENT LIABILITIES			
Liabilities for employee benefits	Note 12	2,695	2,404
Provisions for liabilities and charges	Note 13	893	930
Non-current bank debt	Note 14	17,611	28,304
Non-current financial payables	Note 15	-	275
Other non-current liabilities	Note 16	723	517
Deferred tax liabilities	Note 21	692	491
TOTAL NON-CURRENT LIABILITIES		**22,614**	**32,921**
CURRENT LIABILITIES			
Trade payables	Note 17	56,129	43,981
of which related parties		733	868
Current bank debts	Note 18	38,539	30,774
Tax payables	Note 19	6,821	3,545

Liabilities for current financial derivative instruments	Note 9	2,913	613
Other current liabilities	Note 20	20,379	13,420
TOTAL CURRENT LIABILITIES		**124,781**	**92,333**
TOTAL LIABILITIES		**147,395**	**125,254**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**185,379**	**157,700**

Statement of consolidated income for the financial year ended 31 December 2011

(In thousands of Euros)	**Notes**	**Year ended 31 December 2011**	
		2011	**2010**
Net revenues	Note 22	242,635	203,599
of which related parties		51	24
Other operating income	Note 22	813	819
of which related parties		64	67
Revenues from sales and services	Note 22	**243,448**	**204,418**
Costs for raw, ancillary materials and consumables	Note 23	(47,061)	(49,277)
of which related parties		(27)	(46)
Costs for services	Note 24	(116,034)	(103,349)
of which related parties		(881)	(2,667)
Personnel costs	Note 25	(37,710)	(25,590)
of which related parties		(172)	-
Other (costs)/ net operating income	Note 26	(1,374)	(1,809)
of which related parties		(1)	-
Increases in non-current assets from internal production	Note 27	229	191
Amortisation, depreciation and write-downs	Note 28	(5,253)	(3,840)
Value adjustments to assets and other allocations	Note 29	(1,338)	(617)
Total operating costs		**(208,541)**	**(184,291)**
Operating result		**34,907**	**20,127**
Financial charges	Note 30	(3,985)	(4,004)
Financial income	Note 31	1,428	1,746
of which related parties		16	-
Pre-tax profit		**32,350**	**17,869**
Income tax	Note 21	(11,325)	(6,433)
Net profit for the year		**21,025**	**11,436**
Minority share of profit		**757**	**1,860**
Group share of profit		**20,268**	**9,576**
Earnings per share – basic and diluted (in Euros)	Note 32	**0,3378**	**0,1596**

Overall statement of consolidated income for the financial year ended 31 December 2011

(In thousands of Euros)	**Year ending 31 December 2011**	
	2011	**2010**
NET PROFIT FOR THE YEAR	**21,025**	**11,436**
Other elements in the overall comprehensive income statement		
Change in cash flow hedge reserve effect	(2,033)	(20)
Income tax	557	6
Effect on change in cash flow hedge reserve	**(1,476)**	**(14)**
Translation differences from foreign financial statements	403	24
Total other profits/(losses) net of tax	**(1,073)**	**10**
Total overall profit (loss) net of tax	**19,952**	**11,446**
Attributable to:		
Group	19,113	9,570

Minorities	839	1,876

Consolidated cash flow statement for the financial year ended 31 December 2011

(In thousands of Euros)	**Year ending 31 December** 2011	**2010**
CASH FLOW FROM OPERATIONS		
Net profit for the year	**21,025**	**11,436**
Adjustments to reconcile the net profit with the cash flow generated /(absorbed) by operations:		
Amortisation, depreciation and write-downs	5,253	3,840
Allocations to provisions for employee benefits	191	89
Allocations to provisions for liabilities and charges/obsolescence fund/doubtful accounts	1,344	679
Change in other non-current liabilities	206	117
Loss/ (Gain) on disposal of non-current assets	107	-
Termination benefit payments	(173)	(196)
Payments from provisions for liabilities and charges	(98)	(5)
Net change in deferred tax assets and liabilities	(1,235)	(229)
Change in fair value of financial instruments	922	(144)
Changes in operating assets and liabilities		
Trade receivables	(816)	(5,869)
Inventory	(15,965)	(1,029)
Trade payables	10,536	6,341
Other current assets and liabilities	(955)	3,989
NET CASH FLOW GENERATED BY OPERATIONS (A)	**20,342**	**19,019**
CASH FLOW FROM INVESTMENTS		
Investments in property equipment and machinery	(10,032)	(5,097)
Investments in intangible assets	(7,578)	(2,077)
Investments in financial assets	(455)	(445)
Acquisition of Max Vannucci S.r.l net of cash acquired	(308)	-
Acquisition of minority interest in Cucinelli Holding LLC	(491)	-
Cash settlement from real estate spin-off	(146)	-
Purchase of 1% of the share capital of the former Brunello Cucinelli S.p.A	-	(250)
Proceeds from disposal of property equipment and machinery and key money	4,512	168
NET CASH FLOW ABSORBED BY INVESTMENTS (B)	**(14,498)**	**(7,701)**
CASH FLOW FROM LOANS		
Medium/long-term loans received	-	6,500
Repayment of medium/long-term loans	(7,471)	(3,865)
Net change in short-term debt	8,328	(7,413)
Dividends paid	(5,066)	(2,986)
NET CASH ABSORBED BY LOANS (C)	**(4,209)**	**(7,764)**
TOTAL CASH FLOW (D=A+B+C)	**1,635**	**3,554**
EFFECT OF EXCHANGE RATES ON NET LIQUIDITY (E)	**88**	**123**
CASH AND CASH EQUIVALENTS AT THE START OF THE FINANCIAL YEAR (F)	**6,960**	**3,283**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (G=D+E+F)	**8,683**	**6,960**
Additional information		
Interest paid	2,039	1,890
Income tax paid	9,482	4,232

Changes in consolidated shareholders' equity for year ending 31 December 2011

(In thousands of Euros)	**Share capital**	**Legal reserves**	**Share premium reserve**	**Shareholder capital advances reserve**	**Translation reserve**	**Other reserves**	**Profit for the period**	**Total Group Shareholder's Equity**	**Total Minority interests**	**Total shareholders' equity**
Balance as of 1 January 2010	**4,600**	**132**			**(25)**	**10,669**	**4,896**	**20,272**	**3,914**	**24,186**
Profit for the period							9,576	9,576	1,860	11,436
Other profits(losses)					37	(43)		(6)	16	10
Total overall profit/(loss)					**37**	**(43)**	**9,576**	**9,570**	**1,876**	**11,446**
Allocation of profit for the period		59				4,837	(4,896)			
Dividend payments						(2,484)		(2,484)	(502)	(2,986)
Effect of operations under common control (purchase of 1% of Brunello Cucinelli S.p.A						(8)		(8)		(8)
Other movements						47		47	3	50
Change in scope of consolidation (purchase of 1% of Brunello Cucinelli S.p.A									(242)	(242)
Balance as of 31 December 2010	**4,600**	**191**			**12**	**13,018**	**9,576**	**27,397**	**5,049**	**32,446**
Profit for the period							20,268	20,268	757	21,025
Other profits/ (losses)					321	(1,476)		(1,155)	82	(1,073)
Total overall profit/(loss)					**321**	**(1,476)**	**20,268**	**19,113**	**839**	**19,952**
Allocation of profit for the period		64				9,512	(9,576)			
Dividend payments						(4,609)		(4,609)	(454)	(5,063)
Increase in share capital	7,400					(7,400)				
Effect of operations under common control (merger with Gunex S.p.A)						3,956		3,956	(3,956)	
Effects of spin-off						(9,079)		(9,079)		(9,079)
Effects of operations under common control (19% acquisition of Cucinelli Holding LLC)						(395)		(395)		(395)
Change in scope of consolidation (19% acquisition of Cucinelli Holding LLC)									(96)	(96)

Other movements					(89)		(89)	(6)	(95)
Change in scope of consolidation (49% minority interest in Max Vannucci S.r.l								314	314
Balance as of 31 December 2011	**12,000**	**255**		**333**	**3,438**	**20,268**	**36,294**	**1,690**	**37,984**

Accounting standards and criteria adopted in the preparation of the consolidated financial statements as of 31 December 2011

The Group's consolidated financial statements for the year ended 31 December 2011 were approved by the Board of Directors on 20 February 2012.

The company is legally registered in accordance with Italian law with its registered office in Corciano - Frazione Solomeo (Perugia), Piazza Carlo Alberto Dalla Chiesa.

Statement of compliance with IFRS

The company's consolidated financial statements were prepared in compliance with The International Financial Reporting Standards of the International Accounting Standards Board and endorsed by the EU ('IFRS").

Criteria and scope of consolidation

The consolidated balance sheet as of 31 December 2011 includes detail of the consolidated statement of assets and liabilities, the overall statement of consolidated income, the consolidated cash flow statement and schedule of changes in the consolidated shareholders' equity.

The consolidated statement of assets and liabilities was compiled on the basis of the company's financial statements, those of the companies it controls and the sub-consolidation of American subsidiary Cucinelli Holding Co. LLC, approved by the respective AGMs and delegated bodies, duly adjusted for IFRS compliance.

The subsidiary companies are consolidated line-by-line starting from the date of acquisition, or from the date when the Group acquires control, and they cease to be consolidated on the date control is transferred outside the Group.
Control is presumed to exist when the company owns more than half the voting rights, or else when the company owns half or less of the voting rights if it has:

-control of more than half of the voting rights by virtue of an agreement with other investors;

- the power to decide the financial and operational policies of the company by virtue of a clause in the Bylaws or a contract;

- the power to appoint or remove the majority of members of the Board of Directors or the equivalent governing body;

- the power to exercise the majority of voting rights at meetings of the Board of Directors or equivalent governing body.

All balances and transactions within the Group, including any unrealised profits and losses deriving from relationships with companies of the Brunello Cucinelli Group are eliminated.

The acquisitions of subsidiary companies are accounted for on the basis of the method of acquisition (known as the "purchase method") which involves allocating the cost of the business combination at the fair value of assets, liabilities and potential liabilities acquired at the date of acquisition and the inclusion of the results of the company acquired from the acquisition date to the financial year-end.

Minority profits and equity represent the part of profit or loss or equity relating to net assets not held by the Group and are shown as a separate item in the statement of consolidated income, the overall statement of consolidated income and the consolidated statement of assets and liabilities separately from the Group profits and shareholders' equity.

In the financial year ended 31 December 2011 the Brunello Cucinelli Group did not have shares in related companies (related companies where the Group holds at least 20% of the voting rights or otherwise exerts significant influence, but not control or joint control, over financial and operational policy) or joint ventures (defined as a contractual agreement by which two or more parties undertake a business subject to joint control, as per IAS 31).

The following table summarises, with reference to the subsidiary companies, the information as of 31 December 2011 relating to name, registered office and proportion of share capital held directly or indirectly by the Brunello Cucinelli Group.

As of 31 December 2011

SUBSIDIARY COMPANIES
(consolidated using the line-by-line method and specifying the amount of shareholders' equity and result owned by minorities)

Name	Registered Office	Currency	Capital currency unit	Percentage control	
				Direct	Indirect
Brunello Cucinelli, USA, Inc.	Brewster (NY) - USA	US dollar	1,500	100%	
Brunello Cucinelli Europe S.r.l. (ex Brunello Cucinelli Retail S.r.l.)	Corciano (PG) - Italy	Euro	100,000	100%	
Marittima S.r.l.	Forlì (FC)– Italy	Euro	20,000		51.00%
Bruxelles Cashmere S.p.r.l.	Brussels - Belgium	Euro	20,000		51.00%
Blue Flannel SA	Brussels - Belgium	Euro	61,973		50.98%
Cashmer Paris S.a.r.l.	Paris - France	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Gmbh	Munich - Germany	Euro	200,000	2.00%	98.00%
Brumas Inc.	Brewster (NY) - USA	US dollar	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) - USA	US dollar	1,182,967		70.00%
Cucinelli Retail New York LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cucinelli East Hampton LLC	Brewster (NY) - USA	US dollar	2,500		70.00%
Cucinelli Beverly Hills LLC	Brewster (NY) - USA	US dollar	5,000		70.00%
Cucinelli Retail Woodbury Commons LLC	Brewster (NY) - USA	US dollar	510		70.00%
Cucinelli Retail Madison LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cucinelli Retail Bal Harbour LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cucinelli Retail Las Vegas LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cucinelli Retail South Coast Plaza LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cucinelli Retail Orlando LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cucinelli Retail Desert Hill LLC	Brewster (NY) - USA	US dollar	(*)		70.00%
Cashmere Spagna S.L.	Madrid – Spain	Euro	200,000	5.00%	95.00%
Cashmere Capri S.r.l.	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Cashmere Suisse SA	Lugano – Switzerland	Swiss Franc	200,000	2.00%	98.00%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		51.00%

(*) The company's share capital is zero, as allowed by American company regulations.

The main changes in the scope of consolidation over the financial period ended 31 December 2011 are as follows:

- The former Brunello Cucinelli S.p.A and Gunex S.p.A merged into Solomeo S.p.A which then took the name of Brunello Cucinelli S.p.A. The

merger, which was formalised on 13 June 2011 and entered in the Perugia Company Register on 14 June 2011, was effected with no increase of capital by Solomeo S.p.A and through the annulment of the shares of the companies being merged. For further details regarding the merger please refer to the paragraph "Business combinations, acquisition of minority shares and operations under common control" in this document;

- Brunello Cucinelli S.r.l together with Brunello Cucinelli S.p.A incorporated Cashmere Spagna S.l., Cashmere Capri S.r.l and Cashmere Suisse SA. These companies are respectively the owners of the sole brand stores in Palma de Mallorca and Ibiza, Capri, St Moritz and Geneva;

- By a notarial deed dated 7 November 2011, Brunello Cucinelli Retail S.r.l acquired 51% of the shares of Max Vannucci S.r.l, a company which does part of the production for the Cucinelli Group as a fashion-house For further details regarding this operation please refer to the paragraph "Business combinations, acquisition of minority shares and operations under common control" in this document;

- By a notarial deed dated 7 December 2100, Brunello Cucinelli Retail S.r.l., the sub-holding in charge of the retail structure within Europe, changed its name to Brunello Cucinelli Europe S.r.l.;

- On 8 December 2011 Brunello Cucinelli USA Inc (wholly controlled by Brunello Cucinelli S.p.A) increased its percentage control of the share capital of Cucinelli Holding Co LLC (the company which controls the commercial companies which handle the sales outlets in the US) from 51% to 70%. On the basis of a partnership agreement stipulated with MC LUX LLC (a company wholly controlled by the IMC Group Inc, an agency working exclusively for the Brunello Cucinelli Group in the United States since 1992) entitled *Operating Agreement of Cucinelli Holding Co. LLC,* which regulates the rights and obligations of the parties as partners in a limited liability company subject to US law, MC LUX LLC, a minority holding of Cucinelli Holding Co LLC, granted Brunello Cucinelli USA Inc. the option of acquiring its own shareholding of 30%, exercisable subject to verification of certain conditions, including: (i) the insolvency of MC LUX LLC; (ii) bankruptcy of MC LUX LLC or transfer of its assets to its creditors; (iii) liquidation of MC LUX LLC; (iv) winding-up of MC LUX LLC; (v) any change in control of MC LUX LLC such as to determine the loss of control by Mr. Massimo Ignazio Caronna.

In the above cases as per the Operating Agreement, MC LUX LLC is obliged to sell its shares to the other shareholders for a sum calculated on the basis of the shareholders' equity of Cucinelli Holding Co LLC as soon any of the above mentioned circumstances apply.

The companies owned by Cucinelli Holding Co LLC are subject to simplified arrangements for company requirements and take advantage of American

company regulations to not publish its financial statements, as the direct control company Cucinelli Holding Co LLC prepares the consolidated financial statement in accordance with American accounting standards (US GAAP).

Conversion of the financial statements into currencies other than the Euro and book entries in foreign currency

The consolidated financial statements are presented in Euro, which is the operating and reporting currency adopted by the company. Each Group company defines its own operating currency, used for the items included in the individual financial statements. Transactions in foreign currencies are initially recorded at the exchange rate (referenced to the operating currency) in force at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the operating currency at the exchange rate in force at the financial year-end.

All translation differences are reported in the income statement.

The non-monetary items, valued at historic cost in foreign currencies, are translated using the exchange rate in force at the time of the initial posting of the transaction.

The translation into Euro of the financial statements of foreign companies falling within the consolidation scope is made according to the current exchange rate method, which involves using the exchange rate in force at the financial year-end for the translation of asset and liability items and the average rate for the year for income statement items.

The translation differences deriving from the conversion are reported directly in shareholders' equity and appear separately in an appropriate reserve therein. At the time of disposal of a foreign company, the accumulated translation differences in shareholders' equity are reported in the income statement.

The rates used for determining the Euro value of the financial statements of subsidiary companies reported in foreign currencies (currency per 1 Euro) are shown in the following table:

	Average exchange rate for the year ended 31 December 2011	**Rates at year-end 31 December 2011**
American dollar	1.392	1.294
Swiss franc	1.233	1.216

Accounting standards adopted by the Cucinelli Group

Introduction

The consolidated financial statements of the Brunello Cucinelli Group were prepared in accordance with the IFRS in force at financial year-end, for the sole purposes of inclusion in the listing prospectus prepared as part of the process for listing the ordinary shares of Brunello Cucinelli S.p.A. on the MTA (the Italian screen-based Stock Market), operated by Borsa Italiana S.p.A.

There was no departure from the application of the IFRS in preparing these consolidated financial statements.

The consolidated financial statements were prepared according to the principle of historic cost, with the exception of the buildings item under the first application of the IFRS, derivative financial instruments and financial assets held for sale, which were entered at fair value.

The consolidated financial statements are reported in Euro and all the figures are rounded off to the nearest thousand unless indicated otherwise.

Discretional measurements and significant accounting estimates

The preparation of the Brunello Cucinelli Group's consolidated financial statements requires the company directors to make discretional measurements, estimates and hypotheses that influence the values of earnings, costs, assets and liabilities and potential liabilities at the reporting date. The definitive results may differ from these estimates. The primary discretional estimation and evaluation processes relate to the recognition and valuation of the following balance sheet items.

Deferred tax assets

Deferred tax assets are recognised as the temporary deductible differences between the values of assets and liabilities reported in the financial statements and the corresponding reportable tax values and losses, to the extent that future taxable income is probable and against which tax losses could be offset. A discretional valuation is required of the directors to determine the amount of the deferred tax assets which can be reported and depend on an estimate of the probability of the future event and the amount of the future tax liabilities.

Liabilities for employee termination benefits and provisions for supplementary indemnities

The valuation of Employee termination benefits and provisions for the supplementary customer and agents indemnities for the Group's Italian companies is made using actuarial measurements. The actuarial valuation requires calculating

potential discount rates, future salary increases (solely for the Employee termination benefits), and staff turnover and mortality rates. Because of the long-term nature of these plans, the related estimates are subject to a significant degree of uncertainty.

For further details see Notes 12 and 13 below.

Business combinations and goodwill

Business combinations are reported using the acquisition method. This requires disclosing the fair value of the assets (including intangible assets not previously recognised) and liabilities which can be identified (including potential liabilities) of the acquired business.

The goodwill acquired in a business combination is initially measured as the cost represented by the excess of the cost of the business combination over the Group's share of the fair value of the assets, liabilities and potential liabilities that can be identified in the investment. In order to achieve a congruous analysis, the goodwill acquired in a business combination is allocated, at the date of acquisition, to the Group's individual cash generating units, or to groups of cash generating units, which should benefit from the synergies of the combination, regardless of whether the other assets or liabilities of the Group are assigned to such units or groups of units. Each unit or group of units to which the goodwill is allocated:

a) represents the lowest level within the Group at which the goodwill is monitored as part of internal management; and

b) is not more than the segments identified within the Group's business combination disclosure schedule as per IFRS 8 "Operating Segments".

When the goodwill forms part of a cash generating unit (known as a cash generating group) and part of the assets within this unit is transferred, the goodwill associated with the transferred assets is included in the book value of the asset to determine the gain or loss deriving from the transfer. The goodwill transferred under such circumstances is measured according to the relative values of the asset transferred and the portion of the unit maintained in being.

When the transfer concerns a subsidiary, the difference between the transfer price and the net assets plus the accumulated translation difference and the goodwill is disclosed in the income statement.

No goodwill value was reported in the consolidated financial statements of Brunello Cucinelli Group for the year ended 31 December 2011.

Operations under common control

In the case of aggregated operations involving entities under common control, where the accounting standard IFRS 3 "Business combinations" is not applicable

because of specific exclusions, the commonly accepted measurement criterion has been identified for similar pooling of interest operations. Considering that such operations are merely for restructuring purposes and in application of the Group's accounting policy on the matter, they have been recognised for the continuity of the reporting values of the companies involved, without disclosure of the economic effects.

Intangible assets

Intangible assets are entered under assets at the acquisition cost when it is likely that the use of the asset will generate future financial benefits and when the cost of the assets can be reliably calculated.

Intangible assets acquired through business combination operations are entered at the fair value defined on the date of acquisition, where this value can be reliably calculated. Intangible assets generated internally are not capitalised and are recognised in the income statement for the year in which they were sustained.

Intangible assets with a defined useful life are amortised at a constant rate along the estimated useful life and subjected to impairment test whenever there is a possible loss of value, applying the rules as described below.

The remaining useful life is re-examined at the end of each year or more frequently if necessary. Changes in the anticipated useful life or the method by which the future financial benefits associated with the intangible asset are realised by the Group are disclosed by changing the period and/or the amortisation method and treated as changes to accounting estimates. The amortisation rates of “Intangible assets with a defined life” are reported in the income statement as a cost item in line with the function of the intangible assets.

Profits or losses deriving from the disposal of an intangible asset are measured as the difference between the net earnings from the sale and the book value of the asset and are reported in the income statement at the point of disposal.

Estimates for the useful life of Intangible assets with defined useful life spans are as follows:

	Years
Concessions, licenses, brands and similar rights	18
Key money	According to the term of the lease
Software	2
Licenses	5
Other intangible assets	3-12

Key money

This item, classified within Intangible assets, recognises the amounts paid by the Group to take over contracts associated with commercial properties in high status locations. These amounts also include the initial direct costs sustained for the negotiation and conclusion of the property contracts. These costs are capitalised according to the incremental earnings anticipated from the potential for operating in high status locations.

- The Key money is amortised over the term of the lease (for the retail channel stores) or over the term of the affiliation agreement (for the single brand wholesale channel stores).

Concessions, licences and brands

This item, classified among Intangible assets, recognises the cost of registering the Group's brands.

Property, equipment and machinery

Property, equipment and machinery acquired separately are reported at the historic cost, inclusive of directly attributable ancillary charges necessary for the commissioning of the asset for the use for which it was acquired. This cost includes the charges for the replacement of parts of equipment and plant at the point the costs were sustained where these are in line with measurement criteria.

As regards the buildings, the historic cost is the fair value determined as at the date of transition to the IFRS (1 January 2008), as permitted by IFRS 1, and disclosed net of depreciation and any impairment.

Property, equipment and machinery acquired as part of business combinations are disclosed at the fair value determined on the date of acquisition.

Maintenance and repair costs, which do not improve the value and/or extend the remaining life of the assets, are recognised in the year they are sustained; otherwise they are capitalised.

Property, equipment and machinery are disclosed net of the associated accumulated depreciation and any impairment calculated according to the methods described below. The depreciation is calculated on a straight line basis according to the estimated useful life of the asset, which is re-examined annually and any changes applied as appropriate.

The useful life of the primary classes of tangible assets is estimated as follows:

	Years
Buildings	33
(of which improvements to third party assets)	According to the term of the lease

Equipment and machinery	8
Industrial and commercial equipment	4
Other assets	4-8

Where Property, equipment and machinery items have different useful lives, these are recognised separately. Land, whether annexed to buildings or undeveloped, is reported separately and not depreciated as it has an unlimited useful life.

The book value of Property, equipment and machinery is tested to reveal any impairment, where events or changes suggest that the book value may not be recovered, according to the rules described below.

At the point of sale or when there are no longer future financial benefits expected from the use of an asset, it is removed from the balance sheet and any loss or gain (calculated as the difference between the sales value and the book value) is reported in the income statement in the year of removal.

Historical collections

The former Brunello Cucinelli S.p.A., Gunex S.p.A. and currently the company, maintain one example of each item considered significant and sellable. These products will be used as a source of inspiration by the style office in the creation of new collections.

These assets are classified under the item Property, equipment and machinery, are reported at the historic cost of production and are not depreciated as they have an indefinite useful life.

The increases in value of these items are recognised in the income statement under the item, Increases of assets through internal production.

Impairment of assets

At each year-end the Group assesses any indicators of impairment of Intangible assets and Property, equipment and machinery. Where such indicators emerge, an impairment test is conducted.

Where the book value of the asset exceeds the recoverable value, this is written-down to reflect the latter value. The recoverable value is calculated as the greater of the fair value of an asset or cash generating unit, net of the costs of its sale and value in use, and is calculated for individual assets. The exception is where an asset generates cash flows which are not entirely separate from those generated by other assets or groups of assets, in which case the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

In calculating the usable value, the Group discounts the estimated future cash flows from the current value, using a pre-tax discount rate that reflects market measurements on the future value of cash and the asset's specific risks.

The forecast of economic conditions are taken from the business plans approved by the Board of Directors for the period of the plan for estimating the useable value the future cash flows, which form the Group's most reliable estimate. The projections of the plan normally cover a time period of three years; the long-term growth rates used for estimating the terminal value of the assets or unit is normally lower than the average long-term growth rate for the relevant sector, country or market. The future cash flows are estimated in reference to the current conditions: the estimates therefore do not consider the benefits of future restructuring, which the company has not yet committed to, or future investments for improving or optimising the asset or unit.

Where the book value of an asset or cash generating unit is greater than its recoverable value, the asset has suffered impairment and is consequently written-down to its recoverable value.

The impairment suffered by operating assets is reported in the income statement under the costs associated with the impaired asset. At each year-end the Group also evaluates any indicators of impairment previously reported and, where such indicators exist, carries out a new estimate of the recoverable value. The value of an asset previously written down can be restored only if there have been changes in the estimates used to determine the recoverable value of the asset after the last disclosure of impairment. In such case the book value of the asset is increased to the recoverable value, without however exceeding the book value it would have had, net of depreciation, if no impairment had been recorded in previous years. Each restatement is recognised as earnings in the income statement. After the restatement has been recorded, the amount of depreciation of the asset is adjusted in future periods in order to allocate the book value thus amended, net of any residual value, on a straight line basis for the remainder of the useful life. Write-downs of goodwill cannot in any event be subject to value restatements.

Financial assets and other non-current assets

These assets are measured according to the amortised cost measurement using the effective discount rate method, net of any provision for impairment.

The amortised cost is calculated by taking each discount or purchase premium into consideration and includes the commissions which form an integral part of the effective interest rate and the transaction costs.

Receivables with a due date greater than one year, non-interest-bearing or accruing interest that is lower than market rate, are discounted using interest rates in line with the relevant market.

Inventories

Warehouse inventories are measured at the lower amount of the purchase and/or production cost, calculated according to average weighted cost, and the net sales

value. The purchase cost is inclusive of ancillary charges relating to the purchases of the period; the production cost includes all the direct costs and a share of the indirect costs that are reasonably attributable to the products. The net assumed sales value comprises the estimated sales price less the estimated completion costs and the estimated cost of sales.

Where necessary, provision is made for depreciation of materials or products, in consideration of their anticipated use and recovery value.

Trade receivables, other receivables and current assets

The items, "Trade receivables, other receivables and current assets" are initially entered at fair value, which generally corresponds to the nominal value and subsequently valued at amortised cost, reduced in the case of impairment. In addition, they are adjusted to their assumed sales value, if lower, via the recognition of suitable provision for adjustment.

Receivables in currency other than the reporting currency are reported at the exchange rate of the day of the transaction and, subsequently, translated at the year end rate. The gain or loss arising from the translation is charged to the income statement.

Where the due date of Trade receivables, other receivables and current assets does not fall within normal trade terms and they are non-interest-bearing an analytical discounting process is applied based on assumptions and estimates.

Other financial assets (current and non-current)

The components of "Other financial assets" are initially reported at fair value and subsequently valued according to the amortised cost.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is removed from the financial statements when:

- the rights to receive cash flows from the asset have ceased;

- the Group maintains the right to receive cash flows from the assets, but has a contractual obligation to pay them in full and without delay to a third party;

- the Group has transferred the right to receive the cash flows from the asset and (a) has substantially transferred all risks and benefits of ownership of the financial asset or (b) has not substantially transferred all risks and benefits of the asset, but has transferred control thereof.

Where the Group has transferred the right to receive cash flows from an asset and has not substantially transferred or kept all the risks and benefits or has not lost control over it, the asset is recognised in the Group financial statements as the amount of its residual involvement in the asset. The residual involvement that takes

the form of a guarantee over the transferred asset is measured at the lesser amount between the initial book value of the asset and the maximum payment that the Group would be required to make.

Where the residual involvement takes the form of an issued and/or acquired option over the transferred asset (including options settled in cash or similar), the extent of the Group's involvement corresponds to the amount that the Group may reacquire of the asset transferred; however, in the case of a put option issued on an asset measured at fair value (including options settled in cash or similar), the amount of the residual involvement of the Group is limited to the lower amount of the fair value of the asset transferred and the option exercise price.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and on demand and short-term deposits, the latter must have a term of no more than three months. Cash and cash equivalents are recognised at their nominal value and at the spot exchange rate at the year-end if in foreign currencies.

Net debt

All loans are initially disclosed at the fair value of the initial drawdown less any ancillary charges for obtaining the loan.

After the initial disclosure, the loans are measured at the amortised cost using the effective interest rate method.

Any gain or loss is recognised in the income statement when the liability is paid off, as well as through amortisation.

Provision for liabilities and charges

Provisions for liabilities and charges are made for a current obligation (legal or implicit) resulting from a past event, for which an outlay for the Group to meet this obligation is likely and where it is possible to make a reliable estimate of its amount.

When the Group considers that an allocation to Provisions for liabilities and charges will be partly or wholly recovered, for example in the case of liabilities covered by insurance policies, the payment is disclosed separately under assets if, and only if, it is practically certain. In such case, the cost of any provision is recognised net of the amount of the indemnity payment in the income statement.

Where the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which reflects, where adjusted, the specific risks of the liability. When discounting is applied, the increase of the provision due over a period of time is recognised as a financial charge.

Liabilities for employee benefits

Post-employment benefits are defined according to programmes, including non-formalised, which depending on their characteristics are separated into *defined contribution* and *defined benefit* programmes.

Italian legislation (article 2120 of the Civil Code) states that, on the date an employee terminates his or her contract with the company, he or she shall receive a *TFR* (post-employment benefit) payment. The calculation of this payment is based on certain elements making up the annual salary of the employee for each year of service (appropriately re-evaluated) and on the length of service. According to Italian civil legislation this payment is to be reflected in the financial statements using a calculation method based on the benefit accrued for each employee as at the reporting date, based on the assumption of all employees terminating their agreement at that same date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the matter of Italian Post-employment Benefits and concluded that, in application of IAS 19, these must be calculated using the Projected Unit Credit Method (PUCM), according to which the amount of the liability for the benefits acquired must reflect the expected termination date and must be discounted.

The actuarial projections and the relative effects take into consideration the legislative changes introduced in Italy, which provided for the option for the employee to designate the Post-employment Benefit accrued starting from 1 July 2007 to the state pension fund (INPS) or supplementary pension funds.

The Group's net obligation deriving from the defined benefit plans is calculated by estimating the amount of the future benefits that the employees have accrued in exchange for the service provided in the current accounting period and in previous periods; this benefit is discounted to calculate the current value. The projected gains and losses for defined benefit plans, accumulated up to the previous period and which reflect the effects deriving from changes in the actuarial assumptions used, are fully disclosed in the income statement.

The valuation of the liabilities was entrusted to an independent actuary.

The Group does not have any other defined benefit pension plans.

The Group's obligation deriving from the defined contribution plans is limited to the payment of contributions to the State or to a fund or to a legally separate entity and is calculated based on contributions due.

Financial Instruments

Financial instruments are initially disclosed at fair value and then, at the initial recognition, are measured according to the classification as per IAS 39.

For financial assets this treatment is differentiated between the following categories:

- Financial assets at fair value with changes charged to the income statement;

- Investments held to maturity;

- Loans and receivables;

- Financial assets held for sale.

As regards financial liabilities, there are just two categories:

- Financial liabilities at fair value with changes charged to the income statement;

- Liabilities at amortised cost.

The methods for calculating the fair value for financial instruments, for accounting or disclosure purposes for the primary categories of financial instruments, are summarised below:

- derivative instruments: appropriate pricing models based on market values of interest rates and exchange rates;

- receivables and payables and non-listed financial assets: for financial instruments with a maturity date greater than one year the discounted cash flow method is applied, or discounted anticipated cash flows in consideration of current rate and credit worthiness conditions;

- listed financial instruments: the market value is used as of the reference date.

Derivative financial instruments

Derivative financial instruments are used by the Brunello Cucinelli Group for the sole purpose of hedging the financial risks relating to interest rates on bank debt.

In line with the provisions of IAS 39, derivative financial instruments can be reported according to the methods set out for hedge accounting only when:

- at the beginning of the hedge, there is formal designation and documentation of the hedging relationship;

- it is anticipated that the hedge will be highly effective;

- the efficacy can be reliably measured; and

- the hedge is highly effective during the various accounting periods for which it is designated.

All derivative financial instruments are measured at fair value. When the derivative instruments are suitable for being treated according to hedge accounting, the following accounting treatment applies:

Fair value hedge -- if the derivative instrument is designated for hedging against the exposure of the current value of a balance sheet asset or liability which can have effects on the income statement, the gain or loss arising from the subsequent measurements of the current value of the hedging instruments are disclosed in the income statement, as also the gain or loss on the hedge position.

Cash flow hedge -- if a derivative financial instrument is designated as a hedge against the exposure to the variability of the cash flows of a balance sheet asset or liability or a transaction which is highly likely and which could have effects on the income statement, the effective portion of the gains or losses on the financial instrument are disclosed in shareholders' equity; the accumulated gains or losses are reversed from the shareholders' equity and recorded in the income statement in the same period as the hedged transaction; the gain or loss associated with a hedge, or that part of the hedge that became ineffective are reported in the income statement for the period when the inefficacy is disclosed.

The Group made use of accounting according to the cash flow hedge rules for the stabilisation of the cash flows associated with loans and, starting from 2010, also for hedging revenues denominated in dollars. As a consequences, the component deemed effective of the change of fair value of the derivative instruments traded to cover highly probable transactions in foreign currencies is allocated to an appropriate reserve in Shareholders' equity. At the point of the accounting disclosure of the hedged transactions, the amounts allocated to the reserves are charged to revenues in the Income Statement. The ineffective component of this change in fair value however, is booked to Financial income and charges in the Income Statement. The changes in fair value following the recording of the hedged transaction, according to the methods adopted for the accounting of hedged positions, are recorded under Financial income and charges in the Income Statement.

In the absence of the conditions for applying hedge accounting, the effects deriving from the fair value valuation of the derivative financial instrument are charged directly to the Income Statement.

Revenues and expenses

Revenue and expenses are reported on an accrual basis. Revenue and income, reported net of returns, discounts, allowances and premiums, are reported at fair value to the extent that it is possible to determine this value reliably and it is likely that the financial benefits will be realised.

Financial income and charges

Financial income and charges are recorded based on the interest accrued on the net value of the associated financial assets and liabilities, using the effective interest rate method.

Income taxes

Current taxes

Current taxes reflect an estimate of the tax liability, calculated by applying the regulations in force in the countries where Brunello Cucinelli Group operates. The current tax liability is calculated by using the rates in force or broadly approved as at the financial year-end.
The current tax payable is classified in the financial statements net of any prepaid tax.

Deferred taxes

Deferred taxes are calculated as the temporary deductible (deferred tax assets) and taxable (deferred tax liabilities) differences as at the reporting date from the tax values taken as a reference for the assets and liabilities and the values reported in the financial statements.

Deferred tax assets are disclosed to the extent to which it is likely there will be future taxable income that may make the use of the temporary deductible differences of tax assets and liabilities carried forward.

The recordable value of the Deferred tax assets is re-examined at each year-end and reduced to the extent of it being no longer likely that sufficient taxable income will be available in the future to enable these assets to be used wholly or in part.
Unrecognised deferred tax assets are re-examined annually at the year-end and will be disclosed to the extent it has become likely that the taxable income will be sufficient to enable these deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the period in which these assets or liabilities will be realised, considering the rates in force or those already issued or broadly issued as at the reporting date.

Deferred tax assets and liabilities are charged directly to the income statement, with the exception of those relating to items disclosed directly under shareholders' equity in which case the related deferred taxes are also treated the same way without being charged to the income statement.

Deferred tax assets and liabilities are offset where there is a legal right to offset the current tax assets with current tax liabilities and where the deferred taxes refer to the same tax entity and the same tax authority.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Earnings per share

The Basic earnings per share are calculated by dividing the Group profits by the average weighted shares issued during the period. For calculating the diluted earnings per share, the average weighted shares issued are changed assuming the conversion of all potential shares as having a dilutive effect. The net profit is adjusted to take account of the conversion, net of taxes.

The diluted earnings per share correspond to the base earnings, as there are no shares or options issued on other than ordinary shares.

Operating segments

For the purposes of IFRS 8 “Operating segments”, the Group's operations can be identified as a single operating segment.

Changes to accounting standards, new accounting standards, changes in estimates and reclassifications

With effect from 1 January 2011, the following accounting standards, amendments and interpretations were issued; they neither affect existing cases nor does their adoption have any significant effect on the consolidated financial statements of Brunello Cucinelli Group:

- Amendments to IAS 32 (Financial instruments: disclosure and financial statements - classification of rights issues): these amendments relate to rights issues - for example options and warrants - in a currency other than the operating currency of Brunello Cucinelli Group. Previously, these rights issues were disclosed as derivative financial liabilities. Now, if certain conditions are met, it is possible to classify these rights issues as shareholders' equity instruments regardless of the currency in which the exercise price is denominated. They have no impact on the consolidated financial statements following the application of the aforesaid amendments.
- Amendments to revised IFRS 1 (First-time adoption of IFRS - exemptions to the comparative disclosure envisaged by IFRS 7 in the event of first-time adoption): this amendment provides an exemption from disclosure for first-time adoption of the IFRS, the additional disclosure required by IFRS 7 relating to the management of the fair value and liquidity risk. There is no impact on the consolidated financial statements.
- IAS 24 revised (Related subsidiaries disclosures): IAS 24 revised simplifies the disclosure requirements regarding related parties for public entities and provides a new, simplified and coherent definition of

related parties. There is no significant impact on the disclosure provided by the Group following the application of the above standard.

- Amendments to IFRIC 14 (Prepayments of minimum contributions): the amendments to IFRIC 14 regulate the rare situation where an entity subject to the minimum lending requirements for defined benefit plans, makes prepayments to guarantee these limits. The benefits deriving from prepayments can be disclosed as assets. These amendments do not apply to the Group.
- IFRIC 19 (Extinguishing financial liabilities with equity instruments): this interpretation provides accounting guidance on the extinction of a financial liability by issuing equity instruments (debt for equity swap), i.e. when an entity renegotiates the terms of a debt with its lender, which agrees to receive shares of the entity or other equity instruments for the total or partial extension of the debt. The interpretation makes it clear that:
    - the shares issued are part of the payment for extinguishing the financial liability;
    - the shares issued are measured at fair value. Where the fair value cannot be calculated reliably, the shares issued must be measured in such a way as to reflect the fair value of the liability extinguished by the transaction;
    - the difference between the book value of the financial liability subject to extinction and the initial measurement of the shares issued must be disclosed by the entity in the income statement for the year.

  The amendment has no impact on the consolidated financial statements following the application of this interpretation.

The following is a list of the new accounting standards or interpretations of existing accounting standards not applicable to the financial year ending 31 December 2011. Recently the IASB (*International Standard Accounting Board*) and the IFRIC (*International Financial Reporting Interpretation Committee*) published the new standards and interpretations, some of which have not yet been enacted by the European Community Legislature or else which have been approved but will be applicable for the years following 31 December 2011:

- IFRS 9 (Financial instruments – Classification and measurement): IFRS 9 forms the first of the three phases of the project for the replacement of IAS 39 Financial instruments: Classification and measurement, which has the primary objective of reducing complexity. In the version issued by the IASB in November 2009, the sphere of application of IFRS 9 was restricted solely to financial assets. In October 2010 the IASB added to IFRS 9 the requirements for the classification and measurement of financial liabilities, thus completing the first phase of the project. The second phase of the project, which will deal with impairment of financial instruments, and the third phase, hedge

accounting, were translated into the issue of two Exposure Drafts in November 2009 and December 2010 respectively. The issue of the final standard is anticipated in the third quarter of 2011. The main innovations introduced by IFRS9 as regards financial assets can be summarised as follows:

- financial assets can be classified into just two categories - at fair value or at amortised cost. The categories of loans and receivables, financial assets held for sale and financial assets held to maturity are therefore eliminated. The classification within the two categories is made based on the business model of the entity and the characteristics of the cash flows generated by the assets themselves. A financial asset is valued at amortised cost if both the following requirements are met: the business model of the entity envisages the financial assets being held for collecting the relative cash flows (therefore, broadly speaking, not for making trading profits) and the characteristics of the cash flows of the asset correspond solely to the payment of principal and interest. Where this is not the case, the financial asset must be measured at fair value;
- the rules for accounting for incorporated derivatives have been simplified: separate accounting of incorporated derivatives and the "host" financial asset is no longer required;
- all instruments representing capital – both listed and unlisted - must be measured at fair value. IAS 39, however, specifies that if the fair value cannot be calculated reliably, instruments representing unlisted capital are to be measured at cost;
- the entity has the option of presenting the changes in the fair value of instruments representing capital which were not held for sale in shareholders' equity, instead this option has now been banned. Such designation, permitted on the initial disclosure, can be adopted per individual instrument and is irrevocable. Where this facility is opted for, the changes in the fair value of such instruments can never be reclassified from shareholders' equity to the income statement (neither in the case of impairment nor in the case of transfer). The dividends however continue to be disclosed in the income statement;
- IFRS 9 does not permit reclassification between the two categories of financial assets except in the rare cases where there is a change to the entity's business model. In such event the effects of the reclassification apply prospectively;

- the disclosure required in the notes has been adjusted to the classification and the measurement rules introduced by IFRS 9.

As regards financial liabilities, the IASB has broadly maintained the provisions of IAS 39, with the exception of the requirements relating to the fair value option. In the event of the adoption of the fair value option for financial liabilities, the change of fair value attributable to the change of the issuer's credit risk must be disclosed in the comprehensive statement of profits and losses and not in the income statement.

The process for the endorsement of IFRS 9, which comes into effect from 1 January 2013, has for now been suspended. At present the impact of the future application of the standard on the classification and measurement of financial assets cannot be quantified, and amendments relating to the financial liabilities are not applicable to the Group.

- Amendments to IFRS 7 (Financial instruments: additional information): these amendments have the objective of improving the financial statements' disclosure to increase the transparency and comparability of transactions for the transfer of financial assets (e.g. securitisations), including the possible effects of the residual risks affecting the entity transferring the asset. The amendments, which came into force from 1 July 2011, have not yet been approved by the European Union and no impact on the consolidated financial statements is anticipated.
- Amendments to IAS 12 (Income taxes - Deferred taxes: recovery of underlying assets): IAS 12 requires measurement of deferred taxes relating to assets or liabilities based on the fact that the book value of the asset itself will be recovered via its use or sale. In the case of investment property at fair value, it could be difficult or a matter of personal opinion in assessing whether it will be recovered through its use or sale. These amendments provide a practical solution to the problem by allowing an assumption that the recovery of the real estate investment will be made entirely via the sale. Consequently, SIC 21 Income taxes - Recovery of revalued non-depreciable assets is no longer applicable to investment properties carried at fair value. The SIC 21 guidelines still applicable will be incorporated into the amended IAS 12 and therefore the SIC will be repealed. The amendments, which come into force from 1 January 2012, have not yet been approved by the European Union and do not apply to the Group.
- Amendments to IAS 32 concerning the offsetting of financial assets and financial liabilities and corresponding integration of IFRS 7 regarding financial statements disclosure: it is now specifically stated that it is possible to offset assets and liabilities when there is a legally enforceable right to do so. In other words, such right must have the following characteristics:
    - independent of future events, and

- be immediately applicable both during normal operations and in the case of insolvency.

However, as regards the amendments to IFRS 7, the obligations of quantitative disclosure regarding the financial instruments subject to offsetting (potentially or effectively realised during the period) have been included, including the gross and net amounts.

The amendments to IAS 32 and IFRS 7, not applicable to the Group, will be applied from the 2014 and 2013 financial statements respectively.

- Amendments to IFRS 1 (First-time adoption of the IFRS - Severe hyperinflation and removal of fixed dates for first-time adoption): the amendments introduced relate to the following:

  - guidelines for preparing financial statements based on the IFRS after a period during which the application of IFRS was suspended because of hyperinflation;
  - removal of the fixed dates for first-time option of the IFRS.

  Entities adopting the IFRS must apply the requirements relating to the removal of financial assets and liabilities prospectively from the date of the transition, i.e. they are no longer required to reconstruct transactions taking place before the date of transition to the IFRS and which have led to the removal of financial assets and liabilities. The amendments, which come into force from 1 July 2011, have not yet been approved by the European Union and do not apply to the Group.

- IFRS 11 (Joint Arrangements): the new standard, which replaces IAS 31 Investments in joint ventures, distinguishes two categories of joint arrangements associated with different accounting treatments:

  - joint operations: these are defined as arrangements which give the parties in joint control of the initiative the rights over the individual assets and obligations for the individual liabilities relating to the arrangement. In the case of joint operations, it is mandatory to disclose the assets and liabilities, the costs and income of the arrangement according to the relevant accounting principles;
  - joint ventures: a joint venture is when the parties in joint control of the initiative, have no rights/obligations over the individual assets/liabilities relating to the arrangement, but only over the net assets or net profit from the initiative. In the case of joint ventures the net equity method of consolidation is mandatory, whereas the previous IAS 31 gave the option between proportional consolidation and consolidation with the net equity method.

This standard, which comes into force from 1 January 2013, has not yet been approved by the European Union and no impact on the consolidated financial statements is anticipated.

- IFRS 12 (Additional disclosure of interests in other entities): IFRS 12 includes and expands all requirements in terms of additional disclosure that must be provided on subsidiaries, related companies, joint arrangements and other participation investments (structured entities). Many of the disclosures required by IFRS 12 were previously included in IAS 27 Consolidated and separate financial statements, in IAS 28 Investments in related companies and IAS 31 Interests in joint ventures, while others are new. This standard, which enters into force from 1 January 2013, has not yet been approved by the European Union. An impact is anticipated in terms of disclosure on the consolidated financial statements from the future application of this standard.
- IFRS 13 (Fair value measurement): IFRS 13 includes guidelines for the measurement of fair value and the disclosure required. The standard does not concern the use of fair value, but provides criteria for its measurement and application where other standards allow it or require its use. This standard, which comes into force from 1 January 2013, has not yet been approved by the European Union and no significant impact on the Group's consolidated financial statements is anticipated.
- Amendments to IAS 1 (Presentation of financial statements - presentation of other components disclosed in shareholders' equity): the principal amendments to IAS 1 concern a new method of presentation of other components disclosed in shareholders' equity within the comprehensive income statement: the other components disclosed in shareholders' equity must be grouped with those that in the future may be recycled to the income statement and those for which this option does not exist. Examples of items subject to recycling to the income statement: currency translation differences, adjustment to the fair value of derivatives in cash flow hedges and adjustment to the fair value of investments available for sale. Examples of items not subject to recycling to the income statement are actuarial gains/losses relating to defined benefit pension plans. These amendments, which enter into force from 1 July 2012, have not yet been approved by the European Union. The future application of these amendments will have no significant impact on the consolidated financial statements.
- IAS 19 (Employee benefits): the amendment of IAS 19 focuses on the method of accounting for defined benefit plans, other long-term benefits and post-employment benefits due to employees. The principal amendments of the current standard relate to:
    - defined benefit plans: actuarial gains/losses (re-measurement) must be immediately and fully recognised in the comprehensive income statement. The option has been removed that allows for the non-recognition of

actuarial gains/losses if they fall within a certain corridor and to differentiate them if instead they fall outside of this corridor (corridor approach);

- other long-term benefits (e.g. long-term service awards): actuarial gains/losses (re-measurements) must be immediately and fully recognised in the comprehensive income statement. Immediate disclosure in the income statement will no longer be permitted;
- removal of the "anticipated yield on assets to service the plan" and the "interest cost", which will be replaced with a new metric called "net interest", calculated by applying the discount rate used today solely for the gross liability to the net liability (the gross liability net of assets to service the plan);
- requirement for additional supplementary information to be included in the notes to the financial statements for a better illustration of the risks of defined benefit plans;
- termination benefits: according to the new standard the factor determining the timescale for recognition in the financial statements will be the fact that the offer of the benefit cannot be withdrawn by the entity and as such is irrevocable. Consequently the termination benefits may be of two broad types:
    - benefits associated with a broader restructuring plan, where the entity cannot withdraw the offer and the employee has no alternative but to accept it: in such a case the offer will be considered irrevocable when the layoff plan is communicated to the interested parties;
    - individual benefits that the business can theoretically withdraw at its discretion until such time as the employee accepts: in such case the offer becomes irrevocable once the employee accepts it.

This standard, which enters into force from 1 January 2013, has not yet been approved by the European Union. As regards the anticipated impact on the consolidated financial statements, we would stress that the elimination of the corridor approach will have no impact as the Group has not made use of this option. The other possible effects are still being assessed.

- IFRS 10 (Consolidated financial statements): the new standard replaces IAS 27 Consolidated and separate financial statements, for the part relating to the consolidated financial statements, and SIC 12 Consolidation - special purpose entities. IAS 27 - renamed Separate financial statements, contains only the standards and guidelines for the

preparation of the separate financial statements. In the new IFRS 10 a single control model is defined, which applies to all subsidiaries and represents the determining factor for establishing whether a subsidiary must be consolidated. The accounting treatment and the consolidation procedures are however unchanged with respect to those currently prescribed by IAS 27. The new control model introduces a greater level of subjectivity and requires a higher level of judgement from the management to establish whether an entity is indeed a subsidiary and as such to be consolidated. In addition the new standard explicitly provides the possibility of controlling an entity even without having a majority vote (*de facto* control), a concept that was not explicit in IAS 27. This standard, which comes into force on 1 January 2013, has not yet been approved by the European Union. The impact on the scope of consolidation of the introduction of the new standard in the first period of its application is currently being assessed.

Business combinations, acquisition of minority shareholdings and operations under common control

Year 2011

On 8 March 2011, Fundita S.r.l., (holder of 50% of the share capital of Gunex S.p.A.), and Fedone S.r.l., parent company of the Brunello Cucinelli Group, entered into a sales agreement under which Fundita S.r.l. transferred to Fedone S.r.l. its 50% holding in Gunex S.p.A. for a payment of €13,500 thousand. Fedone S.r.l. made the payment on 31 December 2011, as also set out in the agreement. Following this transaction, 50% of the Gunex S.p.A. share capital was held by Brunello Cucinelli S.p.A. (formerly Solomeo S.p.A.) and the remaining 50% by Fedone S.r.l.

Subsequently the former Brunello Cucinelli S.p.A. and Gunex S.p.A. were merged with Solomeo S.p.A. which, following the operation, took the name of Brunello Cucinelli S.p.A. The merger, formalised by a deed dated 13 June 2011, registered in the Perugia Register of Companies on 14 June 2011, was effected without any increase of Solomeo S.p.A.'s capital and via the cancellation of the shares of the merged companies.

In the company's consolidated financial statements as at 31 December 2011, as an effect of the merger the minority interest in the subsidiary Gunex, 50% of which was fully held, was acquired for the sum of €3,956 thousand. According to the provisions of the relevant accounting standards, this acquisition was reported via the removal of the minority interests previously entered and by increasing the Group's equity by the same amount.

On 13 June 2011, as part of the Group's restructuring process, the real estate property Foro delle Arti, up to then held by the former Brunello Cucinelli S.p.A.,

was spun-off to Parmenide S.r.l., a company fully owned by Fedone S.r.l.. The spin-off took place immediately after the merger of the former Brunello Cucinelli S.p.A. and Gunex S.p.A. Parmenide S.r.l. does not therefore form part of the Group. Together with Foro delle Arti, the properties in Solomeo village, where the Group is based, and the Neo-humanist Academy were assigned to Parmenide S.r.l. At the same time as the spin-off of the properties in the Solomeo village to Parmenide S.r.l. it took on the relevant part of the pool financing, as well as the residual amount of the mortgage from Banca delle Marche. The Brunello Cucinelli Group continues to operate from the properties in Solomeo as the lessor of these properties; the net book value of the assets spun-off amounts to €9,079 thousand

The spin-off of the property division is reflected in the consolidated financial statements as at 31 December 2011. As regards the effects of the transaction on the Group's results, the leasing charges sustained for the use of the properties in Solomeo largely correspond to the same payments reported in the consolidated financial statements as at 31 December 2010: the financial results for the period ending 31 December 2011 were not therefore significantly influenced by the transaction referred to above. As a consequence of the above, there was no need to prepare *pro forma* consolidated financial statements as at 31 December 2011 (the spin-off having already been reflected in the historic financial statements for the same date) or a *pro forma* consolidated income statement for the year ended at 31 December 2011 (in so far as the transaction was not significant for the Group's financial results).

On 30 August 2011 Fedone S.r.l., Fundita S.r.l. and Giovanna Manfredi (who fully controls Fundita S.r.l.), a director and board member of Brunello Cucinelli S.p.A., entered into an agreement under which Fedone S.r.l. transferred 5.1% of the share capital of the company to Fundita S.r.l. for the sum of €13,500 thousand.

On the same date, Fedone S.r.l. entered into an agreement with V.F. S.r.l. and Enrico Vitali (who controls V.F. S.r.l.), a director and board member of the Issuing company, under which Fedone S.r.l. transferred to V.F. S.r.l. 1,13% of the share capital for a payment of €3,000 thousand.

Also on 30 August 2011, Fedone S.r.l. entered into an agreement with Progetto Novantuno S.r.l. and Moreno Ciarapica, a director and board member of the company (the controller of Progetto Novantuno S.r.l.), under which Fedone S.r.l. transferred to Progetto Novantuno S.r.l. 0.19% of the share capital of Brunello Cucinelli S.p.A., for a payment of €500 thousand.

By a deed dated 8 December 2011 Brunello Cucinelli USA Inc. (fully controlled by Brunello Cucinelli S.p.A.) increased its percentage of control of the share capital of Cucinelli Holding Co. LLC (the company which controls the retail companies managing the sales outlets in the United States), from 51% to 70%. This transaction, relating to companies already under common control, was treated as a transaction “under common control”.

During 2011 Brunello Cucinelli S.p.A. acquired 51% of the related company Max Vannucci S.r.l., which produces knitwear on behalf of the Group. The purchase price of €326 thousand was paid at the time of acquisition.

Accounting effects of the acquisition

The value of the assets and liabilities of the company acquired on the date of acquisition, and the net liquidity used in the acquisition are represented in the following statement:

	Recognised value	Book value
Assets		
Property, equipment and machinery	775	715
Other intangible assets	33	33
Trade receivables and supplier deposits	526	526
Other current receivables	46	46
Cash and cash equivalents	18	18
Total assets	**1,398**	**1,338**
Liabilities		
Minority interests	314	293
Employee termination pension provision	273	273
Deferred tax liabilities	63	44
Long-term loans	51	51
Trade payables and customer deposits	183	183
Current tax payables	45	45
Other current payables	143	143
Total liabilities	**1,072**	**1,032**

Fair value of net assets	**326**	**306**
Goodwill value following aggregation	**0**	
Total cost of aggregation	**326**	
Total cost of aggregation:		
Payments to transferor	326	
Ancillary acquisition charges	0	
Total cost of aggregation	**326**	
Net funds used for the acquisition:		
Cash, equivalents of the acquired company	18	
Ancillary acquisition charges	0	
Payments to transferor	(326)	
Net funds used in the acquisition	**(308)**	

Notes on the main items of the consolidated financial statements

Note 1. Intangible assets

The detail of the historic cost, provision for amortisation and net book value of the item, Intangible assets as at 31 December 2011, compared with the same figures as of 31 December 2010:

	31 December					
	2011			**2010**		
(In thousands of Euro)	***Historic cost***	***Accumulated depreciation***	***Net value***	***Historic cost***	***Accumulated depreciation***	***Net value***
Concessions, licenses, brands and similar rights	1,945	(1,184)	761	1,204	(850)	354
Key money	13,987	(3,140)	10,847	11,442	(2,751)	8,691
Other intangible assets	394	(195)	199	190	(140)	50
Total Intangible assets	**16,326**	**(4,519)**	**11,807**	**12,836**	**(3,741)**	**9,095**

The item primarily comprises Key money paid to take over leases of commercial properties situated in high status locations (€10,847 for the year to 31 December 2011 and €8,691 for the year ending 31 December 2010).

The change of the net book value of the item, Intangible assets for the year ended 31 December 2011,is given below:

(In thousands of Euro)	**01/01/2011**	**Increases through purchases**	**Net decreases**	**Translation reserve**	**Assets held for sale**	**Change in scope of Consolidation**	**Amortisation**	**31/12/2011**
Concessions, licenses, brands and similar rights	354	740		-	-		(333)	761
Key money	8,691	6,668		39	(3,053)		(1,498)	10,847
Other intangible assets	50	170		-		33	(54)	199
Total Intangible assets	**9,095**	**7,578**		**39**	**(3,053)**	**33**	**(1,885)**	**11,807**

The item, Intangible assets as at 31 December 2011 amounted to €11,807 thousand and the increases for the year were primarily for Key money paid by the Brunello Cucinelli Group (€6,668 thousand).

The movements recorded under the item Assets held for sale, amounting to €3,053 thousand, refer to the net value of the Key money relating to the store located in Milan, in Via Spiga, 15, whose lease was transferred to a third party in January 2012.

During 2011 there were no indications of possible impairment of the Intangible assets.

The changes in the net book value of the item Intangible assets for the year ending 31 December 2010:

(In thousands of Euro)	01/01/2010	Increases through purchases	Net decreases	Translation reserve	Amortisation	31/12/2010
Concessions, licenses, brands and similar rights	256	305	-	-	(207)	354
Key money	7,947	1,740	-	-	(996)	8,691
Other intangible assets	30	32	-	-	(12)	50
Total Intangible assets	**8,233**	**2,077**	**-**	**-**	**(1,215)**	**9,095**

The item Intangible assets as at 31 December 2010 amounted to €9,095 thousand and the increases for the year were primarily for the Key money paid by the Brunello Cucinelli Group (€1,740 thousand).

During 2010 there were no indications of a possible impairment of the Intangible assets.

Note 2. Property, equipment and machinery

The details are shown below of the historic cost, depreciation provision and net book value of the item Property, equipment and machinery as at 31 December 2011, compared with the same figures as at 31 December 2010:

	31 December					
	2011			**2010**		
(In thousands of Euro)	*Historic cost*	*Depreciation provision*	*Net value*	*Historic cost*	*Depreciation provision*	*Net value*
Land	2,237	-	2,237	2,792	-	2,792
Buildings	25,424	(6,005)	19,419	31,753	(4,617)	27,136
Plant and machinery	5,269	(3,697)	1,572	2,871	(1,804)	1,067
Industrial and commercial equipment	781	(481)	300	828	(588)	240
Historical collections	1,222	-	1,222	1,041	-	1,041
Other assets	6,276	(3,531)	2,745	5,390	(3,412)	1,978
Assets under development and deposits	1,073	-	1,073	283	-	283
Total Property, equipment and machinery	**42,282**	**(13,714)**	**28,568**	**44,958**	**(10,421)**	**34,537**

The changes in the net book value of the item Property, equipment and machinery for the year ending 31 December 2011 are shown below:

(In thousands of Euro)	01/01/2011	Increases through purchases	Reclass. Ass. Under dev.	Net decreases	Translation reserve	Cons. change of scope	Spin-off	Depreciation	31/12/2011
Land	2,792	-	-	(69)	-	-	(486)	-	2,237
Buildings	27,136	6,732	-	(134)	150	-	(12,264)	(2,201)	19,419
Plant and machinery	1,067	437	-	1	6	708	(176)	(471)	1,572
Industrial and commercial equipment	240	230	(73)	(20)	-	16	(4)	(89)	300
Historical collections	1,041	181	-	-	-	-	-	-	1,222
Other assets	1,978	1,662	73	(247)	13	51	(178)	(607)	2,745
Assets under development and deposits	283	790	-	-	-	-	-	-	1,073
Total Property, plant and equipment	**34,537**	**10,032**	**-**	**(469)**	**169**	**775**	**(13,108)**	**(3,368)**	**28,568**

The Brunello Cucinelli Group made investments in Property, equipment and machinery in 2011 amounting to approximately €10,032 thousand, made up as follows:

- investments in the Buildings item (€6,732 thousand) primarily for the opening of new directly managed stores and franchised stores (concentrated especially in Europe and in US) and the improvements made to them;
- investments in Other assets (€1,662 thousand) primarily for the purchase of electronic and office machinery and vehicles;
- investments in Assets under development (€790 thousand) for the development of a new manufacturing site in Solomeo.

During 2011 there were no indications of possible impairment for Property, equipment and machinery.

The changes in the net book value of the item, Property, equipment and machinery for the year ended 31 December 2010 are shown below:

(In thousands of Euro)	01/01/2010	Increases through purchases	Reclass. Ass. Under dev.	Net decreases	Translation reserve	Depreciation	31/12/2010
Land	2,432	360	-	-	-	-	2,792
Buildings	25,670	3,096	-	(21)	125	(1,734)	27,136

Plant and machinery	1,161	151	-	(2)	4	(247)	1,067
Industrial and commercial equipment	243	94	-	-	-	(97)	240
Historical collections	850	191	-	-	-	-	1,041
Other assets	1,746	920	-	(145)	4	(547)	1,978
Assets under development and deposits	-	283	-	-	-	-	283
Total Property, equipment and machinery	**32,102**	**5,095**	**-**	**(168)**	**133**	**(2,625)**	**34,537**

Brunello Cucinelli Group made investments in Property, equipment and machinery in 2010 amounting to approximately €5,095 thousand, made up as follows:

- investments in Buildings (€3,096 thousand) primarily for the opening of directly managed stores (in the USA and North America Area and Europe) and for the improvements to the Group owned properties (sites in Solomeo);
- investments in Other assets (€920 thousand) primarily for the purchase of electronic and office machinery and vehicles;
- investments in Assets under development (€283 thousand) relating to the costs sustained for the preliminary activities on the site for the new factory in Solomeo.

During 2010 there were no indications of possible impairment for Property, equipment and machinery.

Note 3. Other non-current financial assets

The composition of the item, Other non-current financial assets as at 31 December 2011 arising with the situation as at 31 December 2010 is shown below:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Security deposits	1,783	1,113
Total Other non-current financial assets	**1,783**	**1,113**

The item, "Other non-current financial assets" includes the security deposits, relating primarily to the sums paid by the Brunello Cucinelli Group at the same

time as entering into the lease agreements for the sole brand stores. The increase recorded during the year (€670 thousand) is attributable to the opening of the new stores.

Note 4. Inventories

The breakdown of inventories at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Raw materials, ancillaries and consumables	16,036	12,601
Work in process and semi-finished goods	5,540	4,827
Finished goods and goods for resale	43,132	30,558
Advances to suppliers	-	285
Total Inventories	**64,708**	**48,271**

The Company does not record any provision for inventory obsolescence given its stock management policies, which provide for an efficient sale process of the remaining stock for each season.

Advances to suppliers refer to advances paid to suppliers for the purchase of raw materials (cashmere), in relation to production plans requirements.

Note 5. Trade receivables

At 31 December 2011 Trade receivables amounted to €48,832 thousand compared to €47,624 thousand at 31 December 2010.

All trade receivables are short term, therefore their book value is equivalent to fair value as at the reference date.

With regard to the terms and conditions applicable to receivables from related parties, see Note 34 "Other Information - Related Party Transactions".

Trade receivables represent the amount receivable for goods and services supplied and are fully due within one year; they are non-interest bearing and generally have contractual maturities of 30 to 60 days and up to 90-120 days in some European countries such as Italy, France and Spain.

The translation of trade receivables from foreign customers at the year-end exchange rate resulted in an unrealised exchange gain of €690 thousand for the year ending 31 December 2011, and an unrealised exchange loss amounting to €22 thousand for the year ending 31 December 2010.

The write-downs on receivables in the financial statements reflect a reasonable estimate of the impairment identified in relation to the specific non-collectability risks associated with such receivables.

The changes in write-downs on receivables for the year ending 31 December 2011, compared with changes for the year ending 31 December 2010, are shown below:

	Financial year ending 31 December	
(In thousands of Euro)	**2011**	**2010**
Amount at 1 January	522	455
Provisions	936	259
Utilisations	(522)	(192)
Amount at 31 December	**936**	**522**

The provisions and utilisations of doubtful accounts in the period are included in the item "Impairment of assets and other accruals" in the income statement.

Note 6. Tax receivables

The breakdown of the item Tax receivables at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Receivables from Tax Authorities for IRES (corporate income tax)	97	12
Receivables from Tax Authorities for IRAP (regional business tax)	50	6
Other tax receivables	1,505	537
Total tax receivables	**1,652**	**555**

Tax receivables, both at 31 December 2011 and 31 December 2010, refer mainly to advances paid by BC USA Inc. to the different U.S. federal states on the basis of the geographical distribution of the business.

Note 7. Other receivables and other current assets

The breakdown of item "Other receivables and other current assets" at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Receivables from tax authorities for VAT	6,102	3,938
Receivables from others	928	1,115
Listing costs on hold	3,329	-
Accrued income and prepaid expenses	1,420	941
Advances to suppliers	218	532
Receivables from foreign tax authorities	89	378
Receivables from agents	506	224
Total other receivables and other current assets	**12,592**	**7,128**

Receivables from tax authorities for VAT at 31 December 2011 amounted to €6,102 thousand, as against €3,938 thousand at 31 December 2010.

The Brunello Cucinelli Group has exercised the option granted by Italian Presidential Decree no. 633 of 26 October 1972 currently in force, to be classified as regular exporter. As a regular exporter the Group may purchase or import goods and services without paying VAT up to a certain ceiling, which is determined on the basis of foreign transactions carried out and booked in the previous year. The Group usually exceeds the annual ceiling, due to constantly increasing turnover; as a result, purchases made in the last quarter of the year for the production of the spring /summer collection tend to be subject to VAT, thus determining a VAT credit balance at year end. This credit balance is usually utilised in the early months of the subsequent year as the spring/summer collection is billed and the annual VAT ceiling is reinstated.

The item "Receivables from others" mainly includes receivables for advances paid. Specifically, at 31 December 2010 the item included the guarantee deposit paid when signing the preliminary purchase of a property located in the village of Solomeo for €760 thousand. During the month of January 2011, consistent with the plan for property spin-off, the purchase of the property was concluded by Fedone Srl, which then reimbursed the deposit previously paid by its subsidiary the former Brunello Cucinelli S.p.A.

The item "Listing costs on hold" at 31 December 2011 amounted to €3,329 thousand; it refers to the costs incurred during the year 2011 for the stock exchange listing project currently under way.

Accrued income and prepaid expenses mainly include advance payments for the production of catalogues for the spring/summer collection, which will be delivered early next year, and for operating lease instalments.

Advances to suppliers mainly relate to advance payments made to sub-contractors *(*so-called *façonisti)*, engaged in the outsourcing of the Brunello Cucinelli Group's products.

Note 8. Cash and cash equivalents

The breakdown of the item Cash and cash equivalents at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Bank and postal accounts	7,915	6,651
Cash and securities on hand	94	148
Cheques	674	161
Total cash and cash equivalents	**8,683**	**6,960**

The above instruments can be readily converted into cash and are subject to an insignificant risk of change in value.
The Brunello Cucinelli Group believes that the credit risk relating to cash and cash equivalents is limited because they are mainly deposits spread between different national and international banks.

Note 9. Derivative financial Instruments

The Brunello Cucinelli Group has subscribed certain derivative financial instruments aimed at hedging the interest rate risk of its bank debt and the exchange rate risk associated with sales made in currencies other than the Euro.

The Company's derivative financial contracts are entered into exclusively for hedging purposes, as the Group's financial management policy does not provide for financial instruments trading for speculative purposes. Derivative financial instruments meeting the requirements set by the international accounting standards are accounted for according to hedge accounting. For financial derivative instruments that do not meet the conditions laid down by international accounting standards, the changes in fair value of financial instruments are shown in the income statement in the relevant reporting period.

The interest rate and foreign exchange derivatives used are Over The Counter (OTC) instruments, which are bilaterally negotiated with market counterparties; their current value is determined through valuation techniques based on input parameters (such as interest rate curves, exchange rates, etc.) observable in the market (level 2 of the fair value hierarchy provided for by IFRS 7).
The detailed breakdown of Derivative financial instruments in Current assets and Derivative financial instruments in Current liabilities at 31 December 2011, compared with the detailed breakdown at 31 December 2010, is shown below.

	Current assets - Derivative instruments at 31 December		**Current liabilities - Derivative instruments at 31 December**	
(In thousands of Euro)	**2011**	**2010**	**2011**	**2010**
Derivative instruments entered into to hedge currency risk	**-**	**661**	**(2,386)**	**(179)**
Derivative instruments on interest rate risk treated as hedge accounting	-	2	(485)	(354)
Derivative instruments on interest rate risk not treated as hedge accounting	-	-	(42)	(80)
Total Derivative instruments entered into to hedge interest rate risk	**-**	**2**	**(527)**	**(434)**
Total	**-**	**663**	**(2,913)**	**(613)**

The contractual terms and the respective fair value at 31 December 2011 and 31 December 2010 of derivative financial instruments entered into to hedge interest rate risk are as follows:

Derivative instruments on interest rate risk treated as hedge accounting

Counterparty	Type	Borrowing rate (fixed)	Lending rate (variable)	Start Date	Maturity Date	Notional amount (Euro/000)	*Fair Value* at 31 December	
							2011	2010
MPS	IRS	2.60%	Euribor6M	31/12/2009	31/12/2013	1,125	(14)	(23)
MPS	IRS	3.02%	Euribor6M	31/12/2009	31/12/2015	1,375	(42)	(37)
BNL	IRS	3.26%	Euribor6M	12/01/2010	31/12/2018	4,675	(184)	(139)
Intesa Sanpaolo	Fix Payer Swap	3.26%	Euribor6M	12/01/2010	31/12/2018	4,675	(184)	(139)
Cassa di Risparmio Lucca a Livorno	IRS	1.88%	Euribor6M	31/07/2010	31/07/2014	2,500	(25)	(11)
Unicredit (former Banca dell' Umbria)	IRS	4.60%	Euribor3M	30/11/2001	30/11/2010	717	-	-
Unicredit (former Banca dell' Umbria)	IRS	4.60%	Euribor3M	30/11/2001	30/11/2010	957	-	-
Unicredit	IRS	4.60%	Euribor3M	31/01/2002	30/07/2010	908	-	-
Unicredit	IRS	4.60%	Euribor3M	31/01/2002	30/07/2010	454	-	-
UBI Banca	IRS	1.89%	Euribor3M	21/05/2010	11/05/2015	1,000	(9)	(5)
Cassa di Risparmio di Parma e Piacenza	IRS	1.70%	Euribor3M	19/08/2010	19/08/2015	2,000	(17)	1
Deutsche Bank	IRS	1.91%	Euribor6M + 3% Spread	01/12/2010	31/12/2014	1,000	(10)	-
Current assets - Derivative instruments							**-**	**1**
Current liabilities - Derivative instruments							**(485)**	**(354)**

Derivative instruments on interest rate risk not treated as hedge accounting

Counterparty	Type	Borrowing rate (fixed)	Lending rate (variable)	Beginning Date	Maturity Date	Notional amount (Euro/000)	*Fair Value* at 31 December	
							2011	2010
BNL	IRS	Euribor5M with 3.5% Cap + 0.5% spread	Euribor6M	12/01/2010	31/12/2014	3,825	(21)	(36)
Intesa Sanpaolo	Cap Purchase	Euribor6M + 0.5%, spread, max 4%	Euribor6M	12/01/2010	31/12/2014	3,825	(21)	(36)
Deutsche Bank	IRS	1.91%	Euribor6M + 3% Spread	01/12/2010	31/12/2014	1,000	-	(8).
Current assets - Derivative instruments							**-**	**-**
Current liabilities - Derivative instruments							**(42)**	**(80)**

The contractual terms and the respective fair value at 31 December 2011 and 31 December 2010 of derivative financial instruments entered into to hedge currency risk are as follows:

	Negative Fair value for the financial year ended 31 December		Positive Fair value for the financial year ended 31 December	
(in thousands of Euro)	**2011**	**2010**	**2011**	**2010**
US dollar	(2,386)	(179)	-	661
Total	**(2,386)**	**(179)**	**-**	**661**

Note 10. Assets held for sale

During the month of November 2011, the Company received a proposal from a third-party company to take over the lease agreement of the single-brand store located in Milan, at no.15 Via della Spiga. The proposal provides for the other party can take over the lease agreement on fulfilment of a number of conditions outside the control of the Company. Among these, the acceptance by the property owner to enter into a new lease agreement with the proposing company took place on 13 January 2012 when the agreement was signed. The Company continued its retail business in the store located in no. 15 Via della Spiga until 7 January 2012.

As at 31 December 2011, the Company received €4,150 thousand as advance payments by the other party. The Key Money received as at 31 December 2011 for the store in no.15 Via della Spiga in Milan, amounting to €3,053 thousand, was therefore reclassified as "Non-current assets held for sale". The sale price of such *Key Money* is higher than its net book value at 31 December 2011.

Note 11. Capital and reserves

At 31 December 2010 the share capital amounted to €4,600 thousand, fully paid up, consisting of 46,000 shares with a par value of Euro 100 each. The Company EGM on 22 June 2011 voted to increase the share capital through a bonus issue capitalising available reserves. As a result, at 31 December 2011 the share capital amounted to €12,000 thousand, consisting of . 60,000,000 shares.

The following table shows the number of shares and the percentage of share capital owned by the Company's shareholders as at 31 December 2011:

Shareholder	**Number of Brunello Cucinelli shares**	**Share capital (%)**
Fedone S.r.l.	56,148,000	93.58%

Fundita S.r.l.	3,060,000	5.1%
VF S.r.l.	678,000	1.13%
Progetto Novantuno S.r.l.	114,000	0.19%
	60,000,000	100%

The following is a breakdown of the item Other reserves at 31 December 2011 compared with the same breakdown at 31 December 2010:

(In thousands of Euro)	**31 December**	
	2011	**2010**
Legal reserve	255	191
Extraordinary reserve	132	881
Revaluation reserve	4,813	1,091
Cash flow hedge reserve	(1,514)	(67)
IFRS first time adoption reserve	(799)	(706)
Translation reserve	333	12
Consolidated retained earnings/accumulated losses	806	11,819
Other reserves	**4,026**	**13,221**

Note 12. Liabilities for employee benefits

This item only includes the termination indemnities recognised with reference to the employees of the Group's Italian companies pursuant to Article 2120 of the Italian Civil Code and discounted to present value as prescribed by IAS 19.

The table below shows the changes in employee benefits for the year ended 31 December 2011 compared with changes for the year ended 31 December 2010:

(In thousands of Euro)	**Financial year ended 31 December**	
	2011	**2010**
Present value of the benefit obligation at the beginning of the period	2,404	2,511
Financial charge	156	69
Benefits paid	(173)	(196)
Changes in the consolidation area	273	-
Recognised actuarial loss (gain)	35	20
Present value of the benefit obligation at the end of the period	**2,695**	**2,404**

The main assumptions used in determining the present value of the employee termination indemnities are set out below:

Financial assumptions

	Financial year ended 31 December	
	2011	**2010**

Annual discount rate	3.41%	3.01%
Inflation rate	2.50%	2.20%
Expected employee turnover rate	8.80%	8.80%
Advances	1.00%	1.00%

Demographic assumptions

	Financial year ended 31 December	
	2011	**2010**
Mortality	TABLE RG48	
Retirement Age	65 years	

Rate of turnover and termination indemnity advances

	Financial year ended 31 December	
	2011	**2010**
Advances % rate	1%	1%
Turnover % rate	8.80%	8.80%

Staff numbers

The average number of employees by category, expressed in terms of full-time equivalent, is shown in the following table:

	Financial year ended 31 December	
	2011	**2010**
Senior and junior managers	30.8	23.9
Office staff'	301.2	222.0
Manual workers	383.8	328.4
Total staff	**715.8**	**574.3**

Note 13. Provisions for liabilities and charges

The item Provisions for liabilities and charges relates primarily to the supplementary termination indemnity due to agents and was calculated for the former Brunello Cucinelli S.p.A. and Gunex S.p.A. in accordance with Italian law (art. 1751-bis of the Italian Civil Code) and discounted to present value as required by IAS 37.

The table below shows the changes in the Provisions for liabilities and charges at 31 December 2011 compared with changes at 31 December 2010:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Amount at 1 January	921	730
Provisions	58	191
Utilisations	(98)	-
Amount of the Provision for supplementary termination indemnity due to agents at 31 December	**881**	**921**
Other provisions for liabilities and charges	12	9
Total Provisions for liabilities and charges	**893**	**930**

The main assumptions used in determining the actuarial value of the provision for the supplementary termination indemnity due to agents are set out below:

	Financial year ended 31 December	
	2011	**2010**
Voluntary turnover rate	6.00%	8.00%
Employer-initiated turnover rate	1.00%	1.00%
Discount Rate	2.68%	3.38%

Note 14. Non-current payables to banks

The item Non-current payables to banks includes medium to long term bank loans. These are variable rate loans for which the book value approximates fair value as at the reference date.

The breakdown of this item at 31 December 2011 detailing the total loan and the current portion, compared with the situation at 31 December 2010, is as follows:

			31 December				
			2011		2010		
(In thousands of Euro)	**Disbursement date**	**Maturity date**	**Total debt**	**of which current portion**	**Total debt**	**of which current portion**	**Notes**

Syndicate of banks (agent bank - Banca IMI)	16-Dec-2009	*tranche A:* 31-Dec-2018 *Tranche B:* 31-Dec-2014	14,350	2,270	19,864	2,600	*Note 1*
Cassa di Risparmio di Lucca, Pisa e Livorno	21-Jul-2010	31-Jul-2015	1,906	487	2,382	482	*Note 2*
Cariparma	19-Aug-2010	19-Aug-2015	1,524	390	1,906	384	*Note 3*
Banca Intesa	9-Jun-2008	31-Mar-2013	900	600	1,500	600	*Note 4*
Deutsche Bank	23-Nov-2009	30-Sep-2013	875	500	1,375	500	*Note 5*
Banca Toscana	20-Aug-2007	31-Dec-2015	1,005	216	1,200	195	*Note 6*
Deutsche Bank	1-Dec-2010	31-Dec-2014	750	250	1,000	250	*Note 7*
Banca delle Marche	7-May-2007	15-Sep-2019	-	-	891	90	*Note 8*
Banca Popolare di Ancona	11-May-2010	11-May-2015	695	198	889	194	*Note 9*
Banca delle Marche	3-Dec-2007	3-Dec-2012	447	447	869	422	*Note 10*
Banca Popolare di Ancona	7-Aug-2008	7-Aug-2013	550	323	855	305	*Note 11*
UniCredit Banca	5-Dec-2007	31-Dec-2012	337	337	654	316	*Note 12*
Banca Etruria	28-Apr-2008	30-Apr-2013	319	211	525	205	*Note 13*
Cassa di Risparmio di Città di Castello	4-Jun-2008	4-June-2013	317	210	522	205	*Note 14*
Cassa di Risparmio di Firenze	14-Nov-2007	30-Nov-2012	215	215	425	209	*Note 15*
Banca Popolare di Ancona	7-Aug-2008	7-Aug-2013	183	108	285	102	*Note 16*
UniCredit Banca	5-Dec-2007	31-Dec-2012	112	112	218	104	*Note 17*
Cassa di Risparmio di Firenze	14-Nov-2007	30-Nov-2012	108	108	212	104	*Note 18*
Cassa di Risparmio di Firenze	6-Dec-2006	6-Dec-2011	-	-	200	200	*Note 19*
Cassa di Risparmio di Lucca, Pisa e Livorno	3-Sep-2009	30-Sep-2011	-	-	96	96	*Note 20*
Banca Nazionale del Lavoro	16-May-2006	30-Apr-2011	-	-	56	56	*Note 21*
Total medium-long term loans			**24,593**	**6,982**	**35,924**	**7,620**	
Less current portion			(6,982)		(7,620)		
Total Non-current payables to banks			**17,611**		**28,304**		

Note 1

On 16 December 2009, the Brunello Cucinelli Group, as part of its financial planning, took out a loan with a syndicate of banks made up of Intesa San Paolo S.p.A., Banca Nazionale del Lavoro S.p.A., Banca IMI S.p.A. (as "Agent Bank"),

UniCredit Corporate Banking S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca delle Marche S.p.A., Banca Popolare dell'Etruria e del Lazio S.c.a.r.l., Mediocredito Italiano S.p.A., Cassa di Risparmio di Città di Castello S.p.A., Banca Popolare di Ancona S.p.A. in order to refinance part of its short and medium term debt and to support its business development. The loan, totalling €20,000 thousand (the outstanding debt at 31 December 2011 amounted to €14,350 thousand), is divided into two long-term credit lines, respectively, of €11,000 thousand *(tranche A)* and €9,000 thousand *(tranche B),* which at 31 December 2011 were fully utilised.

Repayment of *tranche A* is expected to be made by 31 December 2018, according to an amortisation schedule which provides for reimbursement through half-yearly instalments of €550 thousand as from 30 June 2011 until 31 December 2017 and €1,650 thousand starting from 30 June 2018. The interest rate applied to *tranche A* is equal to Euribor 6 months increased by a spread.

Repayment of *tranche B* is expected to be made by 31 December 2014, according to an amortisation schedule which provides for reimbursement through half-yearly instalments of €750 thousand as from 30 June 2011 until 31 December 2012, €1,250 thousand from 30 June 2013 until 31 December 2013 and €1,750 thousand starting from 30 June 2014 until maturity. The interest rate applied to *tranche B* is equal to Euribor 6 months increased by a spread.

Against the loan disbursed, real estate mortgages were set up; in particular, in order to secure the obligations arising from *tranche A,* a first mortgage was placed on some properties of the Company (buildings or portions of buildings located in Solomeo and Corciano) for a maximum secured amount of €22,000 thousand (of which €11,000 thousand for principal and €11,000 thousand for interest, incidental expenses and enforcement costs); in addition, in order to secure the obligations arising from *tranche B,* a second mortgage was placed on the same property for a maximum secured amount of €18,000 thousand (of which €9,000 thousand for principal and €9,000 thousand for interest, incidental expenses and enforcement costs).

With respect to the Merger and Spin-off that took place during the first half of 2011 (and described under "Business combinations, acquisition of non-controlling interests and transactions under common control"), it should be noted that, within the spin-off, the transferee company Parmenides S.r.l. (wholly owned by Fedone S.r.l. and not belonging to the Group) took on a portion of the loan for a principal amount of €3,300 thousand plus interest and charges. The Company is in any case jointly and severally liable with Parmenides S.r.l. for the fulfilment of obligations assumed by the latter.

The loan agreement also provides for contractual obligations relating to financial ratios (financial covenants) which must be fulfilled. Specifically, the following ratios must satisfy certain values, to be calculated on the separate financial statements of the former Brunello Cucinelli S.p.A., prepared in accordance with Italian Accounting Principles, for the year 2010 and, as a result of the merger

described in Paragraph "Business combinations, acquisition of non-controlling interests and transactions under common control" of this document, on the consolidated financial statements (where the latter are prepared) of Brunello Cucinelli S.p.A. from 2011 onwards:

(i) Net financial position/EBITDA: this *financial covenant* is determined by the ratio of the "net financial position" to the value of "EBITDA" resulting from the separate financial statements of former Brunello Cucinelli S.p.A. (for 2010) and the consolidated financial statements (if drawn up) of Brunello Cucinelli S.p.A. (from 2011 onwards), where:

- the term "net financial position" means the difference between the amount resulting from the sum of debt for bonds, payables to banks and other lenders, bills of exchange payable and payables to Group companies (excluding positions with entities included in the consolidation area), on the one hand, and, on the other, cash and cash equivalents as defined in art. 2424 of the Italian Civil Code, where, cash and cash equivalents include government bonds, listed securities readily convertible into cash and other instruments for temporary cash investment;
- the term "EBITDA" means the difference between the value of production, determined by the sum of items provided for in letter A) of Art. 2425 of the Italian Civil Code, and the costs of production referred to in letter B) of Art. 2425 of the Italian Civil Code, excluding the amortisation of intangible assets and depreciation of tangible assets, provisions for liabilities, other provisions and the costs of lease instalments associated with assets used under finance lease.

(ii) Net financial position/equity: this *financial covenant* is determined by the ratio of the "net financial position" to the value of "equity" resulting from the separate financial statements of the former Brunello Cucinelli S.p.A. (for 2010) and the consolidated financial statements (if drawn up) of Brunello Cucinelli S.p.A. (from 2011 onwards), where:

- for the definition of "net financial position" reference is made to the above description;
- the term "equity" means the sum of items included in shareholders' equity, as defined in art. 2424 of the Italian Civil Code, plus any shareholders' loans.

Pursuant to the loan agreement, failure to meet one or both of the above financial ratios, entitles the agent bank to immediately withdraw its total credit lines commitment and the Borrower will be required to pay, within 5 days, to the finance parties, any outstanding amount along with accrued interest and default interest up to the reimbursement date, plus costs and fees.

The following table shows the contractual limits set forth by the covenants described above and their value at 31 December 2011 compared with the situation at 31 December 2010, which provides evidence of compliance by the Group:

Reference date	*Net financial position/ EBITDA*	*Covenant Test Resul*	*Net financial position / equity*	*Covenant Test Result*
31 December 2011	<4.50	Parameter satisfied	<3.00	Parameter satisfied
31 December 2010	<4.50	Parameter satisfied	<3.00	Parameter satisfied

Note 2
On 21 July 2010, the Group took out an unsecured loan with Cassa di Risparmio Lucca, Pisa e Livorno, totalling €2,500 thousand (the outstanding debt at 31 December 2011 amounted to €1,906 thousand). The repayment will be made by 31 July 2015 according to an amortisation schedule that provides for the repayment of approximately €500 thousand annually, through quarterly instalments with the principal repayment portion increasing over time, as from 31 October 2010. The interest rate applied is equal to Euribor 3 months increased by a spread..

Note 3
On 19 August 2010, the Group took out a loan with Cariparma, for €2,000 thousand (the outstanding debt at 31 December 2011 amounted to €1,524 thousand). The repayment will be completed by 19 August 2015 through increasing quarterly instalments starting from €95 thousand in November 2010 up to €106 thousand in August 2015. The interest rate applied is equal to Euribor 3 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

Note 4
On 09 June 2008, the Group took out an unsecured loan with Banca Intesa, for €3,000 thousand (the outstanding debt at 31 December 2011 amounted to €900 thousand). The repayment will be completed by 31 March 2013 through semi-annual instalments of €300 thousand each as from 30 September 2008. The interest rate applied is equal to Euribor 6 months increased by a spread..

Note 5
On 23 November 2009, the Group took out a loan with Deutsche Bank, for an original amount of €2,000 thousand (the outstanding debt at 31 December 2011 amounted to €875 thousand). The reimbursement will be made by 30 September 2015 through quarterly instalments of €125 thousand each as from 31 December 2009. The interest rate applied is equal to Euribor 3 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

Note 6
On 20 August 2007, the Group took out an unsecured loan with Banca Toscana (now Monte dei Paschi di Siena S.p.A.), totalling €1,200 thousand. The repayment of the balance outstanding at 31 December 2011, amounting to €1005 thousand, will take place by 31 December 2015, through increasing semi-annual instalments

starting from €107 thousand in June 2011 up to €134 thousand in December 2015. The interest rate applied is equal to Euribor 6 months increased by a spread..

Note 7
On 1 December 2010, the Group took out an unsecured loan with Deutsche Bank, for an original amount of €1,000 thousand (the outstanding debt at 31 December 2011 amounted to €750 thousand). The reimbursement will be made by 31 December 2014 through quarterly instalments of €63 thousand each as from 31 March 2011. The interest rate applied is equal to Euribor 3 months increased by a spread..

Note 8
On 7 May 2007, the Group took out a mortgage with Banca delle Marche for an initial amount of €1,000 thousand.

With respect to the Merger and Spin-off that took place during the first half of 2011 (and described under "Business combinations, acquisition of non-controlling interests and transactions under common control" in this document), it should be noted that, within the spin-off, the transferee company Parmenides S.r.l. (wholly owned by Fedone S.r.l. and not belonging to the Group), took on the residual debt at 31 December 2010 (€891 thousand). The Company is in any case jointly and severally liable with Parmenides S.r.l. for the fulfilment of obligations assumed by the latter.

Note 9
On 11 May 2010, the Group took out a loan with Banca Popolare di Ancona, for an original amount of €1,000 thousand (the outstanding debt at 31 December 2011 amounted to €695 thousand). The reimbursement will be made by 11 May 2015 through monthly instalments of €17 thousand each as from 11 June 2010. The interest rate applied is equal to Euribor 3 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

Note 10
On 3 December 2007, the Group took out an unsecured loan with Banca delle Marche, for an original amount of €2,000 thousand (the outstanding debt at 31 December 2011 amounted to €447 thousand). The reimbursement will be made by 3 December 2012 through increasing monthly instalments starting from €29 thousand on 3 January 2008 up to €38 thousand on 3 December 2012. The interest rate applied is equal to Euribor 6 months increased by a spread..

Note 11
On 7 August 2008, the Group took out a loan with Banca Popolare di Ancona, for an original amount of €1,500 thousand (the outstanding debt at 31 December 2011 amounted to €550 thousand). The reimbursement will be made by 7 August 2013 through increasing monthly instalments starting from €21 thousand on 7 September 2008 up to €28 thousand on 7 August 2013. The interest rate applied is equal to Euribor 3 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

Note 12
On 5 December 2007, the Group took out a loan with UniCredit Banca, for an original amount of €1,500 thousand (the outstanding debt at 31 December 2011 amounted to €337 thousand). The reimbursement will be made by 31 December 2012 through increasing quarterly instalments starting from €65 thousand in March 2008 to €86 thousand in December 2012. The interest rate applied is equal to Euribor 3 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

This loan agreement provides for contractual obligations relating to *financial covenants.* Specifically, the following ratios must satisfy certain values, to be calculated with reference to the separate financial statements of former Brunello Cucinelli S.p.A. for the year 2010, and for the year 2011 (following the merger referred to in paragraph "Business combinations, acquisition of non-controlling interests and transactions under common control ") to the separate financial statements of Brunello Cucinelli S.p.A. prepared in accordance with the Italian Accounting Principles:

(i) Net financial debt/equity: this financial covenant is determined by the ratio of the "net financial position" to the value of "equity" resulting from the separate financial statements of former Brunello Cucinelli S.p.A. (for 2010) and Brunello Cucinelli S.p.A. (for 2011), where:
- net financial debt is defined as the difference between the aggregate amount of financial debt (bonds and bank loans) and financial accrued liabilities and deferred income and the sum of cash and cash equivalents (cash and banks), financial receivables and financial accrued income and prepaid expenses;
- equity is defined as the sum of the share capital, share premium reserve, revaluation reserves, legal reserve, reserve for treasury shares, statutory reserves, other reserves, retained earnings, profit or loss for the year, as set out in letter A) of Article 2424 of the Italian Civil Code, net of treasury shares and subscribed capital unpaid, calculated with reference to the last financial period statements.

(ii) Net financial debt/EBITDA: this financial covenant is determined by the ratio of the "net financial position" to the value of "EBITDA" resulting from the separate financial statements of former Brunello Cucinelli S.p.A. (for 2010) and Brunello Cucinelli S.p.A. (for 2011), where:
- for the definition of "net financial debt" reference is made to the above description;
- EBITDA is defined as the sum of the "difference between the value and cost of production" as per Article 2425 of the Italian Civil Code and the amortisation of intangible assets, depreciation of tangible assets, write-downs, provisions for liabilities and other provisions.

In addition, as from 2011, the following parameter will have to be met, with reference to the separate financial statements of Brunello Cucinelli S.p.A., prepared in accordance with Italian Accounting Principles:

(iii) value of shareholders' equity, where:
- for the definition of "shareholders' equity" reference is made to the above description of equity.

In case of non-compliance with one or both of the above financial parameters, the bank may declare the loss of the benefit of time limit and demand the immediate repayment of any outstanding amount.

The following table shows the contractual limits laid down by the covenants described above and their value at 31 December 2011 compared with the situation at 31 December 2010, which provides evidence of compliance by the Group:

Testing Dates	***Net financial debt/ Equity***	***Covenant Test Result***	***Net financial debt/ EBITDA***	***Covenant Test Result***	***Value of shareholders' equity***	***Covenant Test Result***
31 December 2011	<4.5	Parameter satisfied	<5	Parameter satisfied	>€7 million	Parameter satisfied
31 December 2010	<4.5	Parameter satisfied	<5	Parameter satisfied	not present	n / a

Note 13
On 28 April 2008, the Group took out a loan with Banca Etruria, for an original amount of €1,000 thousand (the outstanding debt at 31 December 2011 amounted to €319 thousand). Full repayment will be made by 30 April 2013 through increasing semi-annual instalments starting from €88 thousand in October 2008 up to €108 thousand in April 2013. The interest rate applied is equal to Euribor 6 months increased by a spread, and in no case shall it be less than 2.50%. No collateral or personal guarantees were set up to back this loan.

Note 14
On 4 June 2008, the Group took out a loan with Cassa di Risparmio di Città di Castello, for an original amount of €1,000 thousand (the outstanding debt at 31 December 2011 amounted to €317 thousand). The reimbursement will be made by 4 June 2013 through increasing semi-annual instalments starting from €87 thousand in December 2008 up to €114 thousand in June 2013. The interest rate applied is equal to Euribor 6 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

Note 15
On 14 November 2007, the Group took out a loan with Cassa di Risparmio di Firenze, for an original amount of €1,000 thousand (the outstanding debt at 31 December 2011 amounted to €215 thousand). The reimbursement will be made by 30 November 2012 through increasing semi-annual instalments starting from €90 thousand in May 2008 up to €108 thousand in November 2012. The interest rate

applied is equal to Euribor 6 months increased by a spread. No collateral or personal guarantees were set up to back this loan.

Note 16
On 7 August 2008, the Group took out a loan with Banca Popolare di Ancona, for an original amount of €500 thousand (the outstanding debt at 31 December 2011 amounted to €183 thousand). The reimbursement will be made by 7 August 2013 through increasing monthly instalments starting from €7 thousand in September 2008 up to €10 thousand in September 2013. The interest rate applied is equal to Euribor 3 months increased by a spread. No collateral or personal guarantees were set up to back this loan.

Note 17
On 5 December 2007, the Group took out a loan with UniCredit Banca, for an original amount of €500 thousand (the outstanding debt at 31 December 2011 amounted to €112 thousand). The reimbursement will be made by 31 December 2012 through increasing quarterly instalments starting from €22 thousand in March 2008 up to €29 thousand in December 2012. The interest rate applied is equal to Euribor 3 months increased by a spread. No collateral or personal guarantees were set up to back this loan.

This loan agreement provides for contractual obligations related to *financial covenants.* Specifically, the following ratios must satisfy certain values, to be calculated with reference to the separate financial statements of Gunex S.p.A. for the year 2010, and for the year 2011 (following the merger referred to in paragraph "Business combinations, acquisition of non-controlling interests and transactions under common control ") to the separate financial statements of Brunello Cucinelli S.p.A. prepared in accordance with the Italian Accounting Principles:

(i) Net financial debt/equity: this *financial covenant* is determined by the ratio of the "net financial position" to the value of "equity" resulting from the separate financial statements of Gunex S.p.A. (for 2010) and Brunello Cucinelli S.p.A. (for 2011), where:
- net financial debt is defined as the difference between the aggregate amount of financial debt (bonds and bank loans) and financial accrued liabilities and deferred income and the sum of cash and cash equivalents (cash and banks), financial receivables and financial accrued income and prepaid expenses;
- equity is defined as the sum of the share capital, share premium reserve, revaluation reserves, legal reserve, reserve for treasury shares, statutory reserves, other reserves, retained earnings, profit or loss for the year, as set out in letter A) of Article 2424 of the Italian Civil Code, net of treasury shares and subscribed capital unpaid, calculated with reference to the last official financial statements.

(ii) Net financial debt/EBITDA: this *financial covenant* is determined by the ratio of the "net financial position" to the value of "EBITDA" resulting

from the separate financial statements of Gunex S.p.A. (for 2010) and Brunello Cucinelli S.p.A. (for 2011), where:

- for the definition of "net financial debt" reference is made to the above description;
- EBITDA is defined as the sum of the "difference between the value and cost of production" as per Article 2425 of the Italian Civil Code and the amortisation of intangible assets, depreciation of tangible assets, write-downs, provisions for liabilities and other provisions.

and the following parameter with reference to the separate financial statements of Gunex S.p.A. (for 2010) and Brunello Cucinelli S.p.A. (For 2011), prepared in accordance with Italian Accounting Principles:

(iii) value of shareholders' equity, where:

- for the definition of "shareholders' equity" reference is made to the above description of equity;

In case of non-compliance with any one or more of the above financial parameters, the bank may declare the loss of the benefit of time limit and demand the immediate repayment of any outstanding amount.

The following table shows the contractual limits set out in the covenants described above and their value at 31 December 2011 compared with the situation at 31 December 2010, which provides evidence of compliance with the covenants by the Group:

Testing Dates	***Net financial debt/ Equity***	***Covenant Test Result***	***Net financial debt/ EBITDA***	***Covenant Test Result***	***Value of shareholders' equity***	***Covenant Test Result***
31 December 2011	<4.5	Parameter satisfied	<3	Parameter satisfied	>€7 million	Parameter satisfied
31 December 2010	<1.5	Parameter satisfied	<3	Parameter satisfied	>€4 million	Parameter satisfied

Note 18

On 5 December 2007, the Group took out a loan with Cassa di Risparmio di Firenze, for an original amount of €500 thousand (the outstanding debt at 31 December 2011 amounted to €108 thousand). The reimbursement will be made by 30 November 2012 through increasing semi-annual instalments starting from €44 thousand in May 2008 up to €54 thousand in November 2012. The interest rate applied is equal to Euribor 6 months increased by a spread.. No collateral or personal guarantees were set up to back this loan.

Note 19

The loan with Cassa di Risparmio di Firenze was paid off on 15 December 2011.

Note 20

The loan with Cassa di Risparmio di Lucca, Pisa e Livorno was paid off on 30 September 2011.

Note 21
The loan with Banca Nazionale del Lavoro was paid off on 30 April 2011.

The following table shows the details of the Brunello Cucinelli Group's outstanding loans at 31 December 2011, with evidence of the portion due within one year, within 5 years and after five years:

Description	Maturity date	Outstanding at 31 December 2011	Portion due within 12 months	Portion due within 5 years	Portion due after 5 years
Syndicate of banks (agent bank - Banca IMI)	*tranche A:* 31-Dec-2018 *Tranche B:* 31-Dec-2014	14,350	2,270	10,500	3,850
Cassa di Risparmio di Lucca, Pisa e Livorno	31-Jul-2015	1,906	487	1,906	-
Cariparma	19-Aug-2015	1,524	390	1,524	-
Banca Intesa (former Mediocredito Italiano)	31-Mar-2013	900	600	900	-
Deutsche Bank	30-Sep-2013	875	500	875	-
Banca Toscana	31-Dec-2015	1,005	216	1,005	-
Deutsche Bank	31-Dec-2014	750	250	750	-
Banca Popolare di Ancona (UBI Group)	11-May-2015	695	198	695	-
Banca delle Marche,	3-Dec-2012	447	447	447	-
Banca Popolare di Ancona (UBI Group)	7-Aug-2013	550	323	550	-
UniCredit Banca	31-Dec-2012	337	337	337	-
Banca Etruria	30-Apr-2013	319	211	319	-
Cassa di Risparmio di Città di Castello	4-June-2013	317	210	317	-
Cassa di Risparmio di Firenze	30-Nov-2012	215	215	215	-
Banca Popolare di Ancona (UBI Group)	7-Aug-2013	183	108	183	-
UniCredit Banca	31-Dec-2012	112	112	112	-
Cassa di Risparmio di Firenze	30-Nov-2012	108	108	108	-
Total medium-long term loans		**24,593**	**6,982**	**20,743**	**3,850**

Note 15. Non-current financial debt

The item Non-current financial debt at 31 December 2010 referred to a foreign currency loan (U.S. dollars) taken out by Cucinelli Holding LLC (amounting to US$ 368 thousand) with the minority shareholder, which, due to changes in the exchange rate, amounted to €275 thousand. This loan was fully repaid during the first half of 2011.

Net debt

The following is a breakdown of the Brunello Cucinelli Group's net debt at 31 December 2011 compared with the situation at 31 December 2010:

(In thousands of Euro)	31 December	
	2011	**2010**
Current payables to banks	38,539	30,774
Current liabilities - Derivative financial instruments	527	434
Current financial debt [1]	**39,066**	**31,208**
Medium-long term loans - non-current portion	17,611	28,304
Non-current financial liabilities	-	275
Non-current financial debt [1]	**17,611**	**28,579**
Total gross financial debt	**56,677**	**59,787**
- Current financial assets	-	-
Current assets - Derivative financial instruments	-	(1)
- Cash and cash equivalents	(8,683)	(6,960)
Net financial debt [1]	**47,994**	**52,826**

[1] Current and non-current financial debt is not identified for accounting purposes under IFRS. The criterion used by the Company may not be consistent with that adopted by other groups and, therefore, the balance obtained by the Company may not be comparable with that determined by such other groups.

Note 16. Other non-current liabilities

At 31 December 2011 the Other non-current liabilities amounted to €723 thousand compared to €517 thousand at 31 December 2010. They refer to amounts payable after 12 months and recognised in accordance with the provisions of IAS 17, relating to the normalisation of rental payments for the single brand stores located in the United States.

Note 17. Trade payables

The breakdown of the item Trade payables at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

(In thousands of Euro)	31 December	
	2011	**2010**
Trade payables to third party suppliers	56,129	43,981
Total trade payables	**56,129**	**43,981**

Trade payables represent the amount due for goods and services supplied to the company.

Note 18. Current payables to banks

The breakdown of the item Current payables to banks at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Current portion of medium/long term loans	6,982	7,620
Bank advances on bills and invoices	29,255	21,305
Bank overdrafts and liquidity repayable on demand	2,302	1,849
Total current payables to banks	**38,539**	**30,774**

Payables to banks for advances refer to advances on bank orders and invoices necessary to finance operating activities.

The item Current portion of medium/long term loan refers to the portion of bank loans due within one year.

Note 19. Income tax payables

The breakdown of the item Income tax payables at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Current tax payables for IRES (Corporate Income Tax)	4,406	1,859
Current tax payables for IRAP (Regional Business Tax)	802	408
Other tax payables	1,613	1,278
Total tax payables	**6,821**	**3,545**

The item Tax payables for IRES and IRAP at 31 December 2011 and 2010 includes the net amount due by the Company for the payment of current income taxes.

The item Other tax payables at 31 December 2011 and 2010 represents the U.S. companies' current tax payables included in the Brunello Cucinelli Group's consolidated financial statements. The increase recorded during the year in Other tax payables, amounting to €335 thousand, was mainly due to the increase in turnover.

Note 20. Other current liabilities

The breakdown of the item Other current liabilities at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Payables to agents	5,743	6,031
Payables to others	5,464	3,989
Advances *no. 15 Via della Spiga*	4,150	-
Payables to employees	2,282	1,811
Payables to social security institutions	2,236	1,528
Accrued liabilities and deferred income	504	61
Total other liabilities	**20,379**	**13,420**

Payables to agents refer to the amount of commissions accrued by the Brunello Cucinelli Group in favour of their agents, not yet paid at the end of each financial year.

Payables to others consist primarily of advance payments received by the company before the shipment of goods to some customers, mainly located in the Far East and Russia (€2,557 thousand at 31 December 2011 and €2,269 thousand at 31 December 2010; the increase recorded in the financial year relates to the expansion of the Brunello Cucinelli Group into new markets).

For details on the item Advances no. 15 Via della Spiga, please refer to Note 10 "Assets held for sale".

Payables to employees include wages and salaries payable for the month of December, which are paid in the first few days of January, and the amounts payable for holidays accrued and not taken, while Payables to social security institutions relate to social contributions due on wages and salaries.

Note 21. Income taxes

Deferred tax assets and liabilities;

The breakdown of item Deferred tax assets and liabilities at 31 December 2011, compared with the situation at 31 December 2010, is as follows:

	31 December	
(In thousands of Euro)	**2011**	**2010**
Deferred tax assets	3,701	1,754
Deferred tax liabilities	(692)	(491)

The net deferred taxes at 31December 2011 and 2010 are detailed in the following table:

(in thousands of euro)	31 December		Financial year ended 31 December			
	2011	2010	2011	2010	2011	2010
	Statement of financial position		Impact on Shareholders' equity		Impact on the Income statement	
Write-off of start-up and expansion costs	31	8	-	-	(23).	2
Amortisation of intangible assets - key money	42	28		-	(14).	29
Amortisation of intangible assets - other assets	(209)	-	-		209	-
Holidays accrued and not taken	-	-	-	-	-	163
Provision for doubtful debts	300	67	-	-	(233)	5
Depreciation of tangible assets	(10)	(34)	-	-	(24)	(23)
Unrealised foreign exchange gains and losses	(136)	(36)	-	-	100	(34)
Write-off of capitalised theatre works	181	211	-	-	30	30
Fair value of derivatives	798	(13)	557	6	(254)	41
Discounting to PV of employee termination benefit pursuant to IAS 19	28	18	-	-	(10)	(6)
Discounting to PV of agents' supplementary termination indemnity pursuant to IAS 37	219	247	-	-	28	(48).
Normalisation of lease payments pursuant to IAS 17	15	198	-	14	183	(29)
IAS 39 - Amortised cost	16	9	-	-	(7)	(9)
IAS 39 – Arrangement fees	69	-	-	-	(69)	-
Elimination of inventory unrealised gains	1,418	518		-	(900)	(330)
Elimination of inter-company gains	24	40	-	-	16	(2)
Deferred tax assets on tax losses	199	-	-	-	(199)	-
Other non-deductible costs	24	2		-	(22)	(3)
Cost/(income) for deferred taxes					**(1,189)**	**(214)**
Net deferred tax Assets /(Liabilities)	**3,009**	**1,263**	**557**	**20**		
Presented in the statement of financial position as follows:						
Deferred tax assets	3,701	1,754				
Deferred tax liabilities	(692)	(491)				
Net deferred tax assets	**3,009**	**1,263**				

At 31 December 2011 and 2010 there were no tax losses carried forward by Group companies.

Income Taxes

The breakdown of Income taxes resulting from the consolidated income statement is presented below:

(In thousands of Euro)	Financial year ended 31 December 2011	2010
Current taxes	12,187	6,647
Net deferred tax expense/(income)	(1,189)	(214)
Taxes from previous years	327	-
Total income taxes	**11,325**	**6,433**

Profit before income taxes and the provision for income taxes for the years ended 31 December 2011 and 2010 are summarised below:

(In thousands of Euro)	Financial year ended 31 December 2011	2010
Consolidated profit before taxes	**32,350**	**17,869**
Current taxes:		
Italy	(10,676)	(5,546)
United States of America	(952)	(954)
Rest of the world	(559)	(147)
Deferred taxes - (expense) / income:		
Italy	1,174	236
United States of America	(198)	27
Rest of the world	213	(49)
Taxes from previous years- (expense) / income:		
Italy	(327)	
Total income taxes	**(11,325)**	**(6,433)**

The reconciliation between the nominal tax rate provided for by Italian law and the actual tax rate resulting from the consolidated financial statements is as follows:

(In thousands of Euro)	Financial year ended 31 December 2011	2010
Profit before taxes	**32,350**	**17,869**
IRES rate in force for the financial year	27.5%	27.5%
Theoretical tax charge	**(8,896)**	**(4,914)**
Irap	**(2,132)**	**(1,275)**
Effect of different tax rate of foreign companies	(102)	(165)
Permanent tax differences	(84)	(134)
Taxes from previous years	(327)	
Other changes	216	55
Total differences	**(297)**	**(244)**
Total income taxes	**(11,325)**	**(6,433)**
Effective tax rate	***35.0%***	***36.0%***

Comments on the main items of the consolidated income statement

Note 22 Revenues from sales and services

The breakdown of item Revenues from sales and services at 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Net Revenues	242,635	203,599
Other operating income	813	819
Total revenues from sales and services	**243,448**	**204,418**

Net revenues are derived from the sales of clothing and accessories by the Brunello Cucinelli Group.

Other operating income is primarily attributable to amounts paid to the Brunello Cucinelli Group under sub-lease agreements of a portion of the property used for its commercial activity.

The breakdown of revenues by geographic area is as follows:

	Financial year ending 31 December				Change in the period	
(In thousands of Euro)	**2011**	**%**	**2010**	**%**	**2011 vs. 2010**	**2011 vs. 2010 %**
Italy	74,804	30.8%	70,383	34.6%	4,421	6.3%
Europe [1]	74,716	30.8%	65,893	32.3%	8,823	13.4%
North America [2]	68,961	28.4%	51,916	25.5%	17,045	32.8%
Greater China [3]	8,529	3.5%	4,592	2.3%	3,937	85.7%
Rest of the world [4]	15,625	6.5%	10,815	5.3%	4,810	44.5%
Total	**242,635**	**100%**	**203,599**	**100%**	**39,036**	**19.2%**

(1) The term "Europe" refers to the European Union member states (excluding Italy), San Marino, Monaco, Switzerland, Liechtenstein, Norway, Russian Federation, Ukraine, Turkey, Uzbekistan, Kazakhstan, Georgia, Serbia and Montenegro, Azerbaijan, Armenia and Andorra.

(2) The term "North America" refers to the United States of America and Canada. It should be noted that the Brunello Cucinelli Group in this area: (i) does not own directly operated stores (retail channel) in Canada and (ii) does not own franchised stores (wholesale single-brand channel).

(3) The term "Greater China" refers to the People's Republic of China, Hong Kong, Macao and Taiwan. It should be noted that in this area, the Brunello Cucinelli Group does not operate through directly managed stores.

(4) The term "Rest of the world" refers to all other countries where the Group achieves sales, other than those defined above. It should be noted that in this area, the Brunello Cucinelli Group does not operate through directly managed stores.

Note 23 Costs of raw materials, ancillaries and consumables

The breakdown of item Costs of raw materials, ancillaries and consumables for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Costs of raw materials, ancillaries and consumables	63,310	51,394
Change in inventories	(16,249)	(2,117)
Total costs of raw materials, ancillaries and consumables	**47,061**	**49,277**

Note 24 Costs for services

The breakdown of item Costs for services for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Outsourcing	62,420	59,219
Fees and accessory charges	12,617	13,897
Advertising and other commercial expenses	12,752	9,449
Transport and customs dues	9,366	7,152
Leases	8,098	4,307
Credit card fees	1,096	682
Other overheads	1,732	1,603
Miscellaneous consultancies	2,871	2,713
Directors' and Statutory Auditors' fees	1,796	1,605
Service charges	1,282	898
Insurance	791	827
Energy, telephone, gas, water and postal costs	1,213	997
Total costs for services	**116,034**	**103,349**

The item Outsourcing includes the cost of services provided by *façonisti*, i.e. workshops which are commissioned for the various stages of production of all product categories, with the exception of quality control and the fulling process, which are carried out directly by the Brunello Cucinelli Group's employees.

Note 25 Payroll costs

The breakdown of item Payroll costs for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

‘	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Wages and salaries	27,803	18,882
Social security contributions	7,497	5,296
Employee termination benefits (T.F.R.)	1,551	1,173
Other payroll costs	859	239
Total payroll costs	**37,710**	**25,590**

Note 26 Other operating (expenses)/revenues net

The breakdown of item Other net operating (expenses)/revenues for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Other operating costs	773	851
Bad debts	94	522
Membership subscriptions	176	188
Taxes and charges	224	156
Ordinary capital losses	107	92
Total other operating expenses	**1,374**	**1,809**

Note 27 Costs capitalised

The Costs capitalised (€229 thousand in 2011 and €191 thousand in 2010) refer to production costs incurred each year for the development of the historical collection.

Note 28 Amortisation, depreciation and write-downs

The item Amortisation, depreciation and write downs for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Amortisation of intangible assets	1,885	1,215
Depreciation of property, plant and equipment	3,368	2,625
Total amortisation, depreciation and write-	**5,253**	**3,840**

downs

Note 29 Impairment of assets and other accruals

The impairment of assets and other accruals (€1,338 thousand in 2011 and €617 thousand in 2010) mainly refer to: i) provision for doubtful debts which for the years ended 31 December 2011 and 2010 amounted respectively to €936 thousand and €258 thousand, ii) provision for agents' supplementary termination indemnity (€58 thousand for the year ended 31 December 2011 and €324 thousand for the year ended 31 December 2010).

Note 30 Financial charges

The item Financial expenses for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Realised foreign exchange losses	901	1,491
Other miscellaneous financial charges	679	339
Interest on mortgage loans	935	886
Derivatives fair value adjustment	57	184
Interest on bills advances and discount	868	635
Unrealised foreign exchange losses	109	22
Bank interest charges	58	48
Interest charges on derivative instruments	378	399
Total financial charges	**3,985**	**4,004**

Note 31 Financial income

The breakdown of item Financial income for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2011**	**2010**
Realised foreign exchange gains	1,315	1,206
Unrealised foreign exchange gains	34	292
Derivatives fair value adjustment	29	148
Other financial income	34	84
Bank interest income	16	16
Total financial income	**1,428**	**1,746**

Note 32 Earnings per share, basic and diluted

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary shareholders of the Brunello Cucinelli Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share do not show any difference compared to Basic earnings per share since there are no convertible bonds or other financial instruments with a dilutive effect.

Note that the payment of dividends for the period is subject to the approval of the shareholders' meeting and therefore it was not itemised under liabilities in the consolidated financial statement of the Brunello Cucinelli Group at 31 December 2011.

The table below shows the income and shares information used in calculating basic and diluted earnings per share:

	Financial year ended 31 December	
	2011	**2010**
Net income for the year attributable to owners of the parent *(in thousands of Euro)*	20,268	9,576
Number of ordinary shares at end of the period (*)	60,000,000	60,000,000
Weighted average number of ordinary shares for basic earnings per share (*)	60,000,000	60,000,000
Weighted average number of ordinary shares for diluted earnings per share (*)		
Basic earnings per share *(in Euro)*	0.3378	0.1596
Diluted earnings per share *(in Euro)*	0.3378	0.1596

(*) On 22 June 2011, the Shareholders' EGM resolved to make a bonus issue of up to €12 million through the capitalisation of the merger surplus reserve, resulting from the completion of the merger for a total of €7.4 million plus the issue of no. 74,000 ordinary shares with a par value of €100 each. The same EGM also approved the splitting of 120,000 shares into 60,000,000 shares, eliminating the shares' par value The amounts specified take retroactive account, of the bonus issue and the stock split, as if they had occurred before the beginning of 2009 (the first period presented).
(**) On 27 January 2012 the Extraordinary Shareholders' Meeting resolved to make a paid share capital increase up to €1,600,000 through the issue of a maximum of 8,000,000 new ordinary shares. This increase in the number of shares was not considered in the calculation of the weighted average number of ordinary shares for the purposes of determining the diluted earnings per share, given that the condition to which the capital increase is subject, (the share price), has not yet been met. Had the new shares been fully subscribed, the diluted earnings per share for 2011 would have amounted to €0.2981.

Note 33 Commitments and contingencies

The item Commitments and contingencies includes assets owned by the Brunello Cucinelli Group held with third parties. The breakdown of this item for the year ended 31 December 2011, compared with the situation at 31 December 2010, is presented below:

	At 31 December	
(In thousands of Euro)	**2011**	**2010**
Assets held with third parties	347	351
Total commitments and contingencies	**347**	**351**

The item Assets held with third parties mainly refers to machinery loaned at no cost to the *façonisti* who use them in the production of the Group's articles of clothing..

Other information

Related party transactions

The following tables detail the transactions with related parties in terms of statement of financial position and income statement. The companies listed have been identified as related parties because they are associated directly or indirectly with the majority shareholders of the Brunello Cucinelli Group.

The details of transactions with related parties of the Brunello Cucinelli Group, in terms of statement of financial position and income statement, at 31 December 2011 and for the year ended on that date are shown below:

(In thousands of Euro)	**Net Revenues**	**Other operating income**	**Financial income**	**Costs of raw materials**	**Costs for services**	**Other operating costs**	**Payroll costs**	**Property, plant and equipment**	**Other non-current financial assets**	**Trade receivables**	**Trade payables**
Fedone S.r.l.		3	16								
MO.AR.R. S.n.c.	17			(27).	(64).			3,123			570
AS.VI.P.I.M. Cucinelli Group		3			(486)						
Cucinelli Giovannino					(7)			901			152
Castel Rigone	34	2									
Azienda Agricola Solomeo		2			(2).						7
Fedro S.r.l.		3			(44)						4
Parmenide S.r.l.		3			(264)				41	2	
Bartolemo S.r.l.		3			(14)	(1)				10	
Brunello Cucinelli foundation		34									
Brunello Cucinelli family		11					(172).				
Total related parties	**51**	**64**	**16**	**(27)**	**(881)**	**(1)**	**(172)**	**4,024**	**41**	**12**	**733**
Total consolidated financial statements	**242,635**	**813**	**1,428**	**(47,061)**	**(116,034)**	**(1,374)**	**(37,710)**	**28,568**	**1,783**	**48,832**	**56,129**
As%	*0.02%*	*7.90%*	*1.12%*	*0.06%*	*0.76%*	*0.07%*	*0.40%*	*14.08%*	*2.28%*	*0.02%*	*1.31%*

The details of transactions with related parties of the Brunello Cucinelli Group, in terms of statement of financial position and income statement, at 31 December 2010 and for the year ended on that date are shown below:

			Year ended 31 December 2010			31 December 2010		
(In thousands of Euro)	**Net Revenues**	**Other operating income**	**Costs of raw materials**	**Costs of services**	**Payroll costs**	**Property, plant and equipment**	**Trade receivables**	**Trade payables**
Fedone S.r.l.		3						
MO.AR.R. S.n.c.	8		(46)	(34)		1,536		262
AS.VI.P.I.M. Cucinelli Group		3		(432)			4	32
Cucinelli Giovannino				(20)		605		55
A.S.D. Castel Rigone Associazione Sportiva Dilettantistica	16	1		(236)			19	
Azienda Agricola Solomeo		1		(6)				1
Max Vannucci S.r.l.		56		(1,889)			1	518
Fedro S.r.l.		3		(50)				
Brunello Cucinelli family					(102).			
Total related parties	**24**	**67**	**(46)**	**(2,667)**	**(102)**	**2,141**	**24**	**868**
Total consolidated financial statements	**203,599**	**819**	**(49,277)**	**(103,349)**	**(25,590)**	**34,537**	**47,624**	**43,981**
As%	*0.01%*	*8.1%*	*0.09%*	*2.58%*	*0.40%*	*6.20%*	*0.05%*	*1.97%*

More specifically:

- Fedone S.r.l.: The Brunello Cucinelli Group provides administrative services to the parent company Fedone S.r.l., against a consideration which, both at 31 December 2011 and 31 December 2010, amounted to €3 thousand;

- MO.AR.R. S.n.c.: the item Cost for services to the related party MO.AR.R. S.n.c., of which Enzo Cucinelli, brother of the *Cavaliere del Lavoro* Brunello Cucinelli, owns 50% of the share capital which, at 31 December 2011 and 2010 respectively, was €64 thousand and €34 thousand. These amounts relate to purchases of furnishing materials used for setting up exhibitions and fairs. In 2011 and 2010, in addition, the Group purchased from MO.AR.R. S.n.c. furniture for setting up shops and offices respectively for a total of €3,123 thousand and €1,536 thousand;

- AS.VI.P.I.M. Cucinelli Group: this association provides surveillance services for all the premises in Solomeo and which are used by the Group for its business. Note that *Cavaliere del Lavoro* Brunello Cucinelli and the Group itself are both members. The costs incurred by the Group for the years 2011 and 2010 amounted respectively to €486 thousand and €432 thousand;

- Cucinelli Giovannino: Giovannino Cucinelli is the brother of *Cavaliere del Lavoro* Brunello Cucinelli. The item Costs for services (amounting to €7 thousand at 31 December 2011 and to €20 thousand at 31 December 2010) includes the costs relating to the installation, regular servicing and repair of

the water supply and air conditioning; in the item for Property, equipment and machinery, the costs incurred for the installation and additional maintenance of those assets are capitalized for amounts respectively of €901 thousand and €605 thousand at 31 December 2011 and 2010;

- A.S.D. Castel Rigone ASD: 31 December 2011, the transactions only refer to Net revenues for an amount of €34 thousand, relating to the sale of official uniforms to the amateur sporting association Castel Rigone; at 31 December 2010, in the item Costs for services includes contributions, including advertising, amounting to €236 thousand, and Net revenues of €16 thousand;

- Max Vannucci S.r.l.: the Brunello Cucinelli Group leases a building it owns, located at Taverne di Corciano (Perugia), for which they paid €56 thousand in 2010; whereas the item Costs for services refers to the costs incurred by the Group for the *workshop* activity provided by the related party, which at 31 December 2010 amounted to €1,889 thousand.
  During 2011, the Brunello Cucinelli Group acquired a controlling interest in the company with a 51% shareholding. Therefore, starting from the current year, Max Vannucci S.r.l. is included within the scope of consolidation;

- Fedro S.r.l.: the *Cavaliere del Lavoro* Brunello Cucinelli holds 100% of the share capital of this company, of which he is also the sole administrator. The item Costs for services includes the costs incurred by former Brunello Cucinelli S.p.A. for the lease of the factory outlet located in Perugia (€44 thousand at 31 December 2011 and €50 thousand at 31 December 2010). The item Other income includes administrative services provided to the related party Fedro S.r.l. amounting to €3 thousand both at 31 December 2011 and 31 December 2010;

- Bartolomeno S.r.l.: this company was incorporated during the year 2011, and its shareholders are Fedone S.r.l. and the *Cavaliere del Lavoro* Brunello Cucinelli; it provides gardening services and routine maintenance to the Group and the price for the services provided amounted to €14 thousand at 31 December 2011.

- Brunello Cucinelli Foundation: the item Other operating income, which at 31 December 2011 amounted to €34 thousand, includes the rental income from the Theatre and the Academy for the first half of 2011, before the spin-off of the real estate complex Foro delle Arti, which is commented in the section "Business combinations, acquisition of non-controlling interests and transactions under common control";

- Parmenides S.r.l.: the company, which is wholly owned by Fedone S.r.l., leases two buildings in Perugia (PG) to the Group and the sum paid for this lease at 31 December 2011 amounted to €264 thousand;

- Brunello Cucinelli family: the item Payroll costs include the remuneration payable to members of the entrepreneur Brunello Cucinelli's family, for a total of €172 thousand in 2011 and €102 thousand in 2010.

Board of Directors and Board of Statutory Auditors fees

The table below shows the fees paid for any reason and under whatever form to the members of the Board of Directors for the financial year ended as at 31 December 2011 by Brunello Cucinelli S.p.A. and the companies it directly or indirectly controls:

Board of Directors

Name and surname	Office	Fees paid by the company	Fees paid by Solomeo S.p.A.	Fees paid by the former Brunello Cucinelli S.p.A.	Fees paid by Gunex S.p.A.	Fees from subsidiaries	Total fees (Euro)
Brunello Cucinelli	Chairman and Chief Executive Officer	1,500	-	800,000 (*)	81,917 (*)	-	883,417
Moreno Ciarapica	Director	349,445	-	-	-	-	349,445
Giovanna Manfredi	Director	180,484	-	-	81,917 (**)	-	262,401
Riccardo Stefanelli	Director	122,422	-	-	-	-	122,422
Enrico Vitali	Director	147,331	-	-	-	-	147,331

(*) It is specified that this is the fee paid to Brunello Cucinelli for the offices of sole director and director with powers of attorney covered, respectively, in the former Brunello Cucinelli S.p.A. and in Gunex S.p.A. until the merger.
(**) It is specified that this is the fee paid to Giovanna Manfredi for the offices of director with powers of attorney covered in Gunex S.p.A. until the merger.

The total fees paid to the sole director for the 2010 financial year were €1,029 thousand. Specifically, the fees paid for the 2010 financial year by the company and its subsidiaries are recapitulated in the following table:

Sole Director (amounts in Euro)

Financial year ended	Company	Subsidiaries	Bonus and	Total fees

			other fees	
2010	36,000	993,000	-	1,029,000

The following tables recapitulate the fees paid to the members of the Board of Statutory Auditors for the financial years ended respectively as at 31 December 2011 and 2010.

2011:

Board of Statutory Auditors					
Name and surname	**Office**	**Company**	**Subsidiaries**	**Bonus and other fees**	**Total fees (Euro)**
Gerardo Longobardi	Chairman	20,155	-	-	20,155
Guglielmo Castaldo	Standing statutory auditor	15,312	-	-	15,312
Lorenzo Ravizza	Standing statutory auditor	14,303	-	-	14,303

2010:

Board of Statutory Auditors					
Name and surname	**Office**	**Company**	**Subsidiaries**	**Bonus and other fees**	**Total fees (Euro)**
Guglielmo Castaldo	Chairman	2,890	16,173	-	19,063
Gilda Castaldo	Standing statutory auditor	2,002	7,867	-	9,869
Bernadetta Mencarelli	Standing statutory auditor	1,970	8,155	-	10,125

The table below shows the fees paid to the members of the Board of Statutory Auditors of Solomeo S.p.A., the former Brunello Cucinelli S.p.A. and Gunex S.p.A. during the course of the 2011 financial year before the merger:

Board of Statutory Auditors						
Name and surname	**Office**	**Fees paid by Solomeo S.p.A.**	**Fees paid by the former Brunello Cucinelli**	**Fees paid by Gunex S.p.A.**	**Fees from subsidiaries**	**Total fees (Euro)**

			S.p.A.			
Guglielmo Castaldo	Chairman of the Board of Statutory Auditors (*)/ Standing statutory auditor	1,503	9,431	3,018	-	13,952
Gilda Castaldo	Standing statutory auditor	936	-	2,820	-	3.756
Bernadetta Mencarelli	Standing statutory auditor	918	8,640	-	-	9.558
Mario Rossi	Chairman of the Board of Statutory Auditors	-	8,722	8.,722	-	17.444

(*) The office of Chairman of the Board of Statutory Auditors was covered in Solomeo S.p.A.

Financial risks management

The Brunello Cucinelli Group is exposed to a varying degree to risks of a financial nature connected to its core business. Specifically, the Group is simultaneously exposed to market risk (interest rate risk and exchange rate risk), liquidity and credit risk.
Financial risk management is carried out on the basis of guidelines defined by the Board of Directors. The objective is to ensure a liabilities structure that is always balanced by the composition of assets to maintain adequate solvency of the equity.

The loan instruments most utilised are represented by:

- medium to long-term loans with a multi-year repayment plan, to cover the capital expenditure;

- short-term loans and bank overdrafts to finance the current assets.

Furthermore, the Brunello Cucinelli Group signs financial instruments to hedge the risks of interest rates fluctuation, which could influence the medium to long-term net debt burden, and exchange rates that could influence the Group's financial results.

The average cost of borrowings is linked to the trend of the 3 to 6 months Euribor interest rates, plus a spread that depends on the loan instrument utilised and the company’s rating.
The Brunello Cucinelli Group resorts to derivative instruments for the purpose of hedging the interest rate risk and exchange rate risk.
Speculative trading of derivative instruments is not practised.

Interest rate risk

The Brunello Cucinelli Group's sensitivity to the interest rate risk is managed by taking into due consideration the overall exposure: in line with its general policy of

optimizing financial resources, the Group seeks a balance by resorting to less onerous forms of loans.

As regards the market risk for interest rate changes it is the company's policy to hedge the exposure on medium and long-term borrowings. Derivative instruments of the interest rate swap type (in some cases with a cap).are utilised for the management of this risk.

As of 31 December 2011 there were 10 positions relating to derivative instruments of the interest rate swap type (2 of which with a cap), to hedge the risk connected to the potential increase in the service cost of the loans from banks due to fluctuations in market interest rates. The notional value of such positions was €16.7 million, with a negative equivalent of about €527 thousand.
As of 31 December 2010 as well there were 10 positions relating to derivative instruments of the interest rate swap type (2 of which with a cap), to hedge the risk connected to the potential increase in the service cost of the loans from banks due to fluctuations in market interest rates. The notional value of such positions was €25.7 million, with a negative equivalent of about €432 thousand.

The short-term portion of the loans from banks, which mainly serve to finance working capital needs, is not subject to an interest rate risk hedge.
The cost of bank borrowings is linked to the Euribor interest rate, plus a spread that depends on the typology of the credit facility utilised. The margins applied are in line with the best market standards. The interest rate risk to which the Brunello Cucinelli Group is exposed mainly originates from the outstanding loans payable.

The Brunello Cucinelli Group's main sources of exposure to the interest rate risk are ascribable to the short, medium and long-term loans and derivative instruments. Although the Group adopts a precise hedging policy, the potential impacts on the 2012 income statement (2011 for comparison) ascribable to the interest rate risk are:

- potential changes of the financial and differential charges relating to the existing derivative instruments in the 2011 financial year;
- potential changes of the fair value of the existing derivative instruments.

The potential fair value changes of the effective component of existing hedging derivatives may on the other hand impact on shareholder equity.

The Brunello Cucinelli Group has made an estimate of the potential impacts on the income statement and shareholders' equity for the 2012 financial year, calculated with reference to the existing situation at the 2011 financial year-end (impacts on 2011 for the comparisons calculated with reference to the existing situation at the 2010 financial year-end) produced from a simulation of the change of the forward interest rate structure, using internal measurement models based on generally accepted practice. Specifically:

- these impacts for loans were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the forward interest rates structure,

applied only for the cash flows to be to wound-up in the 2012 financial year (2011 for comparison);

- by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the forward interest rates structure for the derivative instruments.

With reference to the existing situation as of 31 December 2011, a parallel movement of the forward interest rates structure of +100 basis point (+1%) would produce an increase of the financial charges relating to the 2012 financial year of about €229 thousand, offset by about €90 thousand with an increase of the differentials received against existing derivatives. A parallel movement of the forward interest rates structure of -30 basis points (-0.3%) would produce a reduction in financial charges of about €69 thousand, offset by about €27 thousand by a reduction of the differentials received against existing derivatives.

With reference to the existing situation as at 31 December 2010, a parallel movement of the forward interest rates structure of +100 basis points (+1%) would have produced an increase of the financial charges relating to the 2011 financial year of about €283 thousand, offset by about €141 thousand by an increase of the differentials received against existing derivatives. A parallel movement of the forward interest rates structure of -30 basis points (-0.3%) would have produced a decrease of the financial charges of about €85 thousand, offset by about €43 thousand by a reduction of the differentials received against existing derivatives.

	Interest 31 December 2011		
Loans	**Residual debt (Euro/000)**	**Impact on the 2011 income statement +100 bps (Euro/000)**	**Impact on the 2011 income statement --30 bps (Euro/000)**
Loans payable	24,673	(229)	69
Total loans	**24,673**	**(229)**	**69**
Derivative instruments	Residual notional (Euro/000)	Impact on the 2011 income statement +100 bps (Euro/000)	Impact on the 2011 income statement --30 bps (Euro/000)
Derivative instruments to hedge cash flows	16,743	90	(27)
Total derivative instruments	**16,743**	**90**	**(27)**
TOTAL		**(139)**	**42**

		Interest 31 December 2010	

Loans	**Residual debt (Euro/000)**	**Impact on the 2010 income statement +100 bps (Euro/000)**	**Impact on the 2010 income statement -30 bps (Euro/000)**
Loans payable	36,058	(283)	85
Total loans	**36,058**	**(283)**	**85**

Derivative instruments	Residual notional (Euro/000)	Impact on the 2010 income statement +100 bps (Euro/000)	Impact on the 2010 income statement -30 bps (Euro/000)
Derivative instruments to hedge cash flows	25,676	141	(43)
	-	-	-
Total derivative instruments	**25,676**	**141**	**(43)**
TOTAL		**(142)**	**42**

With reference to the existing situation as of 31 December 2011, a parallel movement of the forward interest rates structure of +100 basis point (+1%) would produce an increase of the asset value of the existing hedging derivatives of about €340 thousand, with an impact only on the shareholders' equity. A parallel movement of the forward interest rates structure of -30 basis points (-0.3%) would produce a decrease of the asset value of the existing derivatives of about €104 thousand, which would impact only on the shareholders' equity.

With reference to the existing situation as at 31 December 2010, a parallel movement of the forward interest rates structure of +100 basis point (+1%) would produce an increase of the asset value of the existing hedging derivatives of about €603 thousand, with an impact only on the shareholders' equity. A parallel movement of the forward interest rates structure of -30 basis points (-0.3%) would produce a decrease of the asset value of the existing derivatives of about €183 thousand, with an impact only on the shareholders' equity.

Sensitivity of the derivatives fair value
31 December 2011

	Notional value: (Euro/000)	Fair value (Euro/000)	Net fair value +100 bps	Change in net fair value +100 bps	Impact on the income statement +100 bps	Impact on shareholders' equity +100 bps	Net fair value - 30 bps	Change in net fair value -30 bps	Impact on the income statement - 30bps	Impact on shareholders' equity -30 bps
	a.	B	c	d = c-b	e = d-f	f	g	h = g-b	I = h-j	j
Derivative instruments to hedge cash flows	16,743	(527)	(187)	340	-	340	(630)	(104)	-	(104)

Other derivative instruments	-	-	-	-	-	-	-	-	-	-
TOTAL	**16,743**	**(527)**	**(187)**	**340**	**-**	**340**	**(630)**	**(104)**	**-**	(104)

Sensitivity of the derivatives fair value
31 December 2010

	Notional value: (Euro/000)	Fair value (Euro/000)	Net fair value +100 bps	Change in net fair value +100 bps	Impact on the income statement +100 bps	Impact on shareholders' equity +100 bps	Net fair value -30 bps	Change in net fair value -30 bps	Impact on the income statement -30 bps	Impact on shareholders' equity -30 bps
	a.	b		d = c-b	e = d-f	f	g	h = g-b	i= h-j	j
Derivative instruments to hedge cash flows	25,676	(432)	171	603	-	603	(615)	(183)	-	(183)
Other derivative instruments	-	-	-	-	-	-	-	-	-	-
TOTAL	***25,676***	***(432)***	***171***	***603***	**-**	***603***	***(615)***	***(183)***	**-**	**(183)**

The hypotheses as to the degree of changes in the market parameters utilised for the shocks simulation were formulated on the basis of an analysis of the historic evolution of such parameters with reference to a time frame of 12 months.

Credit risk

The credit risk represents the company's exposure to potential losses resulting from the failure of the other parties to fulfil their obligations.

The Brunello Cucinelli Group's exposure to trade credit risk only refers to sales destined for the wholesale multi-brand channel and single brand channels, which together represented about 77.8% of the net revenues for the year ended 31 December 2011: the remaining turnover refers to retail channel sales with payment in cash or by credit or debit card.

The Brunello Cucinelli Group generally favours trade relationships with customers with which it has had consolidated relations over time. It is the Group's policy to submit customers who request deferred payment terms to checks on their credit status, both with reference to information obtainable from specialised agencies and the observation and analysis of the longer term customers data and performance. Furthermore, the receivables balance is constantly monitored during the year so as to ensure timely intervention and reduce the risk of losses. As a confirmation of this policy please refer to the movement of the bad debt provision for the financial years ended as of 31 December 2011 and 2010 in Note 5 of this document.

Trade receivables are recorded in the financial statements net of the estimated impairment on the basis of the risk of default by the other parties, determined by considering the available information on the customers' credit worthiness and also their credit history.

The tables relative to the ageing of the trade receivables with reference to the 2011 and 2010 financial years are shown below:

Situation as at 31 December 2011		
Due within:	**Brunello Cucinelli S.p.A.**	**Brunello Cucinelli, USA, Inc.**
	(Euro)	**(Euro)**
0-90 days	13,916	1,891
91-180 days	4,815	889
over 180 days	4,315	-
TOTAL	**23,046**	**2,780**

Situation as at 31 December 2010			
Due within:	**Brunello Cucinelli S.p.A.**	**Gunex S.p.A.**	**Brunello Cucinelli, USA, Inc.**
	(Euro)	**(Euro)**	**(Euro)**
0-90 days	12,780	1,980	1,300
91-180 days	3,536	595	0
over 180 days	3,902	902	474

TOTAL	**20,218**	**3,477**	**1,774**

Liquidity risk

The Brunello Cucinelli Group manages the liquidity risk through the tight control of the elements comprising the operating working capital and specifically the trade receivables and payables.
The Group is committed to obtaining a good cash generation and then using it for the necessary outgoings for payments to suppliers, without therefore compromising the short-term treasury balance and avoiding criticalities and pressures in the current liquidity.

A stratification of the outstanding liabilities at the end of the 2011 and 2010 financial years, relating to the remaining term of the financial instruments, is supplied below:

Situation as at 31 December 2011					
Due date:	**Financial payables**				
	Capital (Euro/000)	**Interest (Euro /000)**	**Trade payables Euro (/000)**	**Derivative instruments Euro (/000)**	
	A	**b**	**c**	**d**	**TOTAL e = a+b+c+d**
Within 12 months	6,994	676	56,129	178	63,977
Between 1 and 2 years	6,049	415	-	166	6,630
Between 2 and 3 years	5,917	321	-	101	6,339
Between 3 and 5 years	2,633	339	-	73	3,045
Between 5 and 7 years	3,080	213	-	12	3,305
Over 7 years	-	-	-	-	-
TOTAL	**24,673**	**1,964**	**56,129**	**530**	**83,296**

Situation as at 31 December 2010					
Due date:	Financial payables				
	Capital (Euro/000) A	Interest Euro (/000) b	Trade payables Euro (/000) c	Derivative instruments Euro (/000) d	TOTAL e = a+b+c+d
Within 12 months	7,638	895	43,981	304	52,818
Between 1 and 2 years	7,433	777	-	202	8,413
Between 2 and 3 years	6,492	735	-	53	7,280
Between 3 and 5 years	8,590	955	-	(64)	9,481
Between 5 and 7 years	2,411	574	-	(47)	2,938
Over 7 years	3,495	151	-	(21)	3,625
TOTAL	**36,059**	**4,087**	**43,981**	**427**	**84,555**

The estimate of the anticipated future charges implicit in the loans and anticipated future differentials implicit in the derivative instruments was determined on the basis of the existing forward interest rates structure at the reference dates (31 December 2011 and 31 December 2010).

Exchange rate risk

The Brunello Cucinelli Group is exposed to a change of the exchange rates of the currencies (principally the American dollar) in which sales are made to fellow subsidiaries and third party customers. This risk is intrinsic in the eventuality that the equivalent values in Euro of the revenues diminish following unfavourable fluctuations of the exchange rate and thus preventing achievement of the margin desired.

For the purpose of containing the currency exposure risk deriving from its business, the Brunello Cucinelli Group signs derivative contracts (forward sales contracts in foreign currency) aimed at defining beforehand the conversion rate, or a predefined range of conversion rates at future dates.

The forward hedging contracts are signed at the time of the definition of price lists in currencies for a season, based on an estimate of the revenues and considering as the closure term of the hedge that of the envisaged collection of the relative sales invoices. Specifically, the Group defines the sales prices in Euro, determining the corresponding American dollar prices by applying the exchange rate of the forward contract.

Commencing from the 2010 financial year, the company adopted Cash Flow Hedge Accounting for posting the derivative contracts negotiated to hedge the exchange rate risk connected to the commercial transactions in foreign currencies having considered these as highly probable. As a consequence of this, the component considered as effective of the change in fair value of the derivatives negotiated to hedge the highly probable transactions in foreign currencies is allocated to an appropriate shareholders' equity reserve. At the time of the accounting entry of the transactions hedged, the amounts allocated to a reserve are posted under revenues in the income statement. The ineffective component of this change in fair value is, entered under financial income and charges in the income statement. Fair value changes subsequent to the accounting entry of the hedged transactions , in accordance with the methods adopted for the posting of hedged items, are entered under financial income and charges in the income statement.

This financial policy of the company has the objective of not influencing the operating results by the fluctuations registered in exchange rates in the period between the date of signing forward contracts and the time of invoicing before collection.

During the course of the 2011 financial year the Group recorded €300 thousand in the revenues item that was previously recorded in the Cash Flow Hedge reserve.
During the course of the 2010 financial year the Group recorded €172 thousand in the revenues item that was previously recorded in the Cash Flow Hedge reserve.

The potential impacts on the income statement for the 2011financial year (2010 for comparison) ascribable to the exchange rate risk are:

- Write-up/write-down of the asset and liabilities items denominated in foreign currencies.
- Change in the fair value of the existing derivatives hedging asset and liabilities items denominated in foreign currencies.
- Change in the fair value of the ineffective component of the existing derivatives hedging highly probable transactions in foreign currencies.

The potential impacts on the shareholders' equity for the 2012financial year (2011 for the comparative) ascribable to the exchange rate risk are:

- Change in the fair value of the ineffective component of the existing derivatives hedging highly probable transactions in foreign currencies.

The Brunello Cucinelli Group has estimated the potential impacts on the income statement and shareholders' equity for the 2012 financial year, calculated with reference to the existing situation at the 2011 financial year-end (2010 for comparison) produced by a market shock of the exchange rated (with reference to the currencies for which there is a significant exposure at each year-end date), by recourse to internal measurement models, based on generally accepted practices.

EXPOSURE IN FOREIGN CURRENCIES 2011				SENSIBILITY 2011	
Exposure relating to equity items	Assets (American dollar/000)	Liabilities (American dollar/000)	Net (American dollar/000)	Income statement Euro/American dollar exchange rate + 5% (Euro/000)	Income statement Euro/American dollar exchange rate - 5% (Euro/000)
Trade payables	4,131	(190)	3,941	(152)	152
Total gross exposure of equity items	**4,131**	**(190)**	**3,941**	**(152)**	**152**
Derivative instruments	-	-	-	-	-
Total net position	**4,131**	**(190)**	**3,941**	**(152)**	**152**
Exposure deriving from highly probable future transactions	Forecast of future receipts (American dollar/000)	Forecast of future payments (American dollar/000)	Net (American dollar/000)	Shareholders' equity changes due to Euro/American dollar exchange rate + 5% (Euro/000)	Shareholders' equity changes due to Euro/American dollar exchange rate - 5% (Euro/000)
Amount of future cash flows	58,607	-	58,607	-	-
Forward purchases (Notional value)	-	-	-	-	-
Forward sales (Notional value)	(55,750)	-	(55,750)	2,154	(2,154)
Total net exposure of future transactions	**2,857**	**-**	**2,857**	**2,154**	**(2,154)**
Total net exposure	**2,857**	**-**	**2,857**	**2,154**	**(2,154)**
Exposure relating to equity items	Assets (Swiss franc/000	Liabilities (Swiss franc/000	Net (Swiss franc/000	Income statement exchange rate Euro/Swiss Franc + 5% (Euro/000)	Income statement Euro/ Swiss Franc exchange rate - 5% (Euro/000)
Trade payables	651	-	651	(27)	(27)
Total gross exposure of equity items	651	-	651	(27)	(27)
Derivative instruments	-	-	-	-	-
Total net position	**651**	**-**	**651**	**(27)**	**(27)**
Exposure relating to equity items	Assets (Sterling/000)	Liabilities (Sterling/000)	Net (Sterling/000)	Income statement Euro/Sterling exchange rate	Income statement Euro/Sterling exchange rate

				+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(29)	(29)	2	(2)
Total gross exposure of equity items	-	(29)	(29)	2	(2)
Derivative instruments	-	-	-	-	-
Total net position	**-**	**(29)**	**(29)**	**2**	**(2)**

EXPOSURE IN FOREIGN CURRENCIES 2010				SENSIBILITY 2010	
Exposure relating to equity items	Assets (American dollar/000)	Liabilities (American dollar/000)	Net (American dollar/000)	Income statement Euro/American dollar exchange rate + 5% (Euro/000)	Income statement Euro/American dollar exchange rate - 5% (Euro/000)
Trade payables	4,255	(422)	3,832	(143)	143
Total gross exposure of equity items	4,255	(422)	3,832	(143)	143
Derivative instruments	(7,508)	-	(7,508)	281	(281)
Total net position	**(3,253)**	**(422)**	**(3,676)**	**138**	**(138)**
Exposure deriving from highly probable future transactions	Forecast of future receipts (American dollar/000)	Forecast of future payments (American dollar/000)	Net (American dollar/000)	Changes in shareholders' equity Euro/American dollar exchange rate + 5% (Euro/000)	Changes in shareholders' equity Euro/American dollar exchange rate - 5% (Euro/000)
Amount of future cash flows	23,292	-	23,292	-	-
Forward purchases (Notional value)	-	-	-	-	-
Forward sales (Notional value)	(23,292)	-	(23,292)	872	(872)
Total net exposure of future transactions	-	-	-	**872**	**(872)**
Total net exposure	**-**	**-**	**-**	**872**	**(872)**
Exposure relating to equity items	Assets (Swiss franc/000	Liabilities (Swiss franc/000	Net (Swiss franc/000	Income statement Euro/ Swiss Franc exchange rate + 5% (Euro/000)	Income statement Euro/ Swiss Franc exchange rate - 5% (Euro/000)
Trade payables	-	(362)	(362)	14	(14)
Total gross exposure of equity items	-	**(362)**	**(362)**	**14**	**(14)**
Derivative instruments	-	-	-	-	-
Total net position	**-**	**(362)**	**(362)**	**14**	**(14)**

Exposure relating to equity items	Assets (Yen/000)	Liabilities (Yen/000)	Net (Yen/000)	Income statement Euro/Yen exchange rate + 5% (Euro/000)	Income statement Euro/Yen exchange rate - 5% (Euro/000)
Trade payables	-	(5,394)	(5,394)	2	(2)
Total gross exposure of equity items	-	**(5,394)**	**(5,394)**	**2**	**(2)**
Derivative instruments	-	-	-	-	-
Total net position	**-**	**(5,394)**	**(5,394)**	**2**	**(2)**

Exposure relating to equity items	Assets (Sterling/000)	Liabilities (Sterling/000)	Net (Sterling/000)	Income statement Euro/Sterling exchange rate + 5% (Euro/000)	Income statement Euro/Sterling exchange rate - 5% (Euro/000)
Trade payables	-	(6)	(6)	0	(0)
Total gross exposure of equity items	-	**(6)**	**(6)**	**0**	**(0)**
Derivative instruments	-	-	-	-	-
Total net position	**-**	**(6)**	**(6)**	**0**	**(0)**

Exposure relating to equity items	Assets (Hong Kong dollar/000)	Liabilities (Hong Kong dollar/000)	Net (Hong Kong dollar/000)	Income statement Euro/Hong Kong dollar exchange rate + 5% (Euro/000)	Income statement Euro/Hong Kong dollar exchange rate - 5% (Euro/000)
Trade payables	-	(10)	(10)	0	(0)
Total gross exposure of equity items	-	**(10)**	**(10)**	**0**	**(0)**
Derivative instruments	-	-	-	-	-
Total net position	**-**	**(10)**	**(10)**	**0**	**(0)**

The hypotheses as to the degree of the changes in market parameters utilised for the shocks simulation were formulated on the basis of an analysis of the historic evolution of such parameters with reference to a time frame of 30-60-90 days, consistent with the envisaged term of the exposure.

Financial assets and liabilities

All the Brunello Cucinelli Group's financial instruments are recorded in the financial statements at carrying value identical to the fair value.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, it is specified that there were no atypical and/or unusual transactions made during the financial years ended as at 31 December 2011 and 2010, as defined in said Communication.

Subsequent events

You are referred to the comments in the Directors' Report.

The Chairman of the Board of Directors
Cav. Lav. Brunello Cucinelli